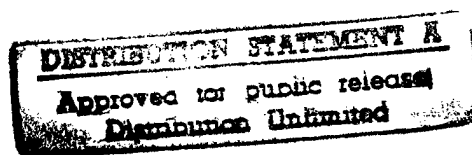


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7 AUGUST 1992



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# ***JPRS Report***



# **East Europe**

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# East Europe

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**Democratic Party Official on SDS Personalities**  
*92BA1051A Sofia 168 CHASA in Bulgarian 2 Jun 92*  
*p 21*

[Interview with Georgi Markov, deputy chairman of the Democratic Party, by Milena Khristova; place and date not given: "Rock and Roll Plus Parliament Is the Bulgarian Model"]

[Text] *It is ridiculous to think that the great privatization will take place in Bulgaria soon, declared deputy Georgi Markov, deputy chairman of the Democratic Party.*

[Khristova] The Democratic Party has recently developed a strong concert activity. Does it cover its political ambitions?

[Markov] In fact, the Democratic Party organized a Christmas concert and a spring concert in the packed hall No. 1 of the National Palace of Culture. This encouraged us also to give a third concert in front of the mausoleum, which went well, however much they try to disparage it in Bulgaria. This is the specific nature of the Bulgarian model—parliamentary victory by means of the ballot plus rock and roll and entertaining music for the electorate. In no other country does music not help politics in this way. However, the Democratic Party is making not only concerts, but also laws. I can point to four accepted drafts I personally introduced. Even in the Council of Europe, they said that the Bulgarian model on the path to democracy is a combination of parliament plus concerts for the youth in the streets.

[Khristova] However, isn't the parliamentary control body seeking an explanation from Foreign Minister Stoyan Ganev of why he expanded the Bulgarian delegation for Strasbourg? Didn't you, Ventseslav Dimitrov, and Aleksandur Yordanov travel to the Council of Europe at the expense of the ministry?

[Markov] It is natural that the minister would invite political figures, declared ones and not just different communists, to be included in the delegation. We are three with direct service in winning the elections and represent three of the parties in the coalition. Furthermore, we consulted the Council of Europe and learned that the official Bulgarian delegation is determined by the minister of foreign affairs. It is written there that he may bring whoever he wants.

[Khristova] A half-year ago you told me that Stoyan Ganev is the strongest figure in the government, but he has been demoted.

[Markov] Stoyan Ganev, without doubt, is one of the strongest figures in the SDS [Union of Democratic Forces]. The fact that he is not a deputy prime minister is his wish and for the simple reason that, only two months from now, he will be fulfilling an exceptionally prestigious function. Stoyan Ganev will become president of the General Assembly of the United Nations.<sup>1</sup> I traveled with him to Strasbourg and became convinced that all foreign ministers accept him wonderfully with

his youth and his strength. Well, there are certain weaknesses, as with any man. In my opinion, Stoyan's problem is that, after the wonderful changes he made in the ministry, he did not clean out the Red cadres abroad. And, during the seven months the SDS has been governing, we have sent abroad only one ambassador. I understand that he is in a delicate position because he can send someone, but Zhelyu Zhelev will not issue a decree and will make a laughing stock of him. And I understand that Stoyan wants to do drastic things but does not dare to leave the ball to Zhelev in order not to drop his rating. If I were in his place, I would risk it. Leave it to the president, who was elected on the blue ballot, to explain why he did not change the ambassadors.

[Khristova] At the moment, there are 20 vacant places for ambassadors, as well as a decision of the new Council of Ministers on how, who, and where to send them.

[Markov] Here it is not a question of filling unoccupied places in the Third World, but of ambassadors to vitally important countries in the world. I give you, for example, Belgium, Switzerland, Canada, the United States, France, and Spain; political opponents of the SDS, who cannot even explain what the SDS represents, let alone what reforms are being carried out, have been sent there.

[Khristova] But aren't the diplomats government civil servants that are above the parties?

[Markov] Yes, but they are representatives of a government. In Bulgaria, according to the Constitution, foreign policy is run by the government, and, consequently, it cannot be indifferent to what figures represent its position.

[Khristova] That means that it is necessary to change the vitally important ambassadors with every cabinet.

[Markov] Of course, the second cabinet of the SDS will not reject the people of the first cabinet. However, a revolution is going on in Bulgaria. Whoever, does not think so is simply confused. A Communist government, which devastated us for 50 years, is being replaced in Bulgaria. Well, excuse me, then why is the son of Boris Velchev still the ambassador to Russia?! Who will believe, when they look at his face, that there has been a change in Bulgaria? Do I really believe that the same Velchev, who licked the asses of the Communists for so many years, will now defend the program of the SDS! Or our ambassador to Turkey, who is the son of a general. And the same general was complaining loudly that he was a starving pensioner. Who will believe that he is starving when his son is an ambassador? We are naive, and our electorate sees it. There is a danger of becoming confused. That is just as if the communists believe that I will protect their interests. And the ambassador to Canada, and the wife of Rumen Serbezov in Denmark, and Lea Koen. This woman was telling me that fascists and extremists have won the elections!

[Khristova] The Cabinet is shared by another strong personality. What do you think of Ludzhev?

[Markov] A highly capable man who understands administration and remarkably engages the people who work for him. However, he has become deformed by the roundtable and by the coalition government. He has the weakness of corresponding with more people than is necessary—for example, Ginyo Ganev, Veselin Pavlov, Georgi Pirinski, and Rumen Danov. But this is a question of political vision. I do know what he thinks of me—that I am a good professional with quick reactions but that I am excessively volatile and passionate.

[Khristova] What weaknesses of the premier aren't you hiding?

[Markov] His character is too meek and mild. The times require governing with gusto and, in the good sense of the word, aggressively and stunningly.

[Khristova] Did you want his retirement?

[Markov] No. However, I expressed doubt, in his presence, that it is appropriate for him to assume the responsibilities of chief of the SDS. He does not have time to care for "Rakovski" 134. The building is beginning to fall down, the apparatus has gotten out of control, and the financial position is bad. He is the head of the SDS and the administration. However, that in no case corresponds to an intelligent and governing coalition. The connection with the structures is neglected. I allowed myself to say that because I will never take a post as a leader in the administration.

[Khristova] But you named yourself on the radio as a possible deputy prime minister?

[Markov] This idea was being discussed. Naturally, because I do not want to accept any executive functions, I would do it in a very extreme situation, and then under conditions determined by me. For example, if I am deputy prime minister, I will choose the team with which to work. They were thinking of me as deputy prime minister for the power ministries. However, I would be included only if I knew the other ministers and not only the police and defense because the stake is very great, and I consider myself to be a good office manager. That is, let us say that I like Luchnikov and Dancho Sokolov, but it is not indifferent to me who will be on the economic team because, if you have two good-for-nothing ministers, the whole team can be ruined. This is a team, this is a collective body. This was the mistake. There are strong and nondescript ministers in one pot, but the strong ones do not compensate for the nondescript ones. The good-for-nothing minister drags down the whole government.

[Khristova] What price does the Movement for Rights and Freedoms (DPS) demand from the government?

[Markov] In my opinion, the DPS is a reality—that is, a formation with a solid and permanent electorate, which plays an exceptionally important role in parliament. The

DPS gives Filip Dimitrov a piece of its mind. And it is right to do so because the DPS unquestionably provided the votes for the radical and good quality laws during the past six months, including for the government. However, the movement will not provide votes on credit.

[Khristova] What is the price of the agreement?

[Markov] I do not think that in Bulgaria we will have extensive privatization soon. This is impossible. In the best case, before the end of the year we have to permit small-scale privatization, especially in the area of tourism because it gives priority to the foreign investor. To think that there will be large-scale privatization in Bulgaria before the beginning of next year is ridiculous because we have to create an agency, and the parliament has to vote a national program, as well as have control. And just who will buy these dying state enterprises?! I think that it is stretching the truth, that someone is greedy for large-scale privatization because small-scale privatization is knocking at the doors now.

[Khristova] What does such an intelligent and clever politician such as Dogan want instead of a price for support?

[Markov] I think Dogan knows that, without the SDS, he cannot have anything. Whatever elections there are, without the SDS he cannot take more than 7 to 8 percent. His electorate can be protected only by a large political force such as the SDS. However, Dogan wants to be treated with respect, with him as a political partner. And we owe him that respect because, for these six or seven months, we have benefited from the votes of the DPS in the parliament.

[Khristova] Upon entering parliament on Wednesday, you became angry and said that you will call out the scum of society against the red cretins.

[Markov] Unfortunately, a lot of mediocre people entered the SDS. We are sorry because these mediocre people are successively entering the administration. We are not attracting these more than 2 million people, among whom there are remarkable specialists, and are not begging them to sacrifice themselves for the SDS, as Sokolov sacrificed himself. One example is Doganov in tourism. In my opinion, he ruined Bulgaria for six months because he was keeping a communist named Sandalska for himself and did not bring in one investment. Radulov also ruined electrical-power engineering. On 1 March, at 18 degrees, he yanked the circuit breakers on us.

[Khristova] Why does the administration put up with such people? Why did Vekil Vanov keep his job? Or Mr. Luchnikov, who started in his career working for the top people in legal circles in the 1970's?

[Markov] Vekil Vanov really did not handle his job, but Filip chose Luchnikov; otherwise, he was not such an unbalanced jurist. I was against having such ministers. In my opinion, it was necessary to have one each for the

labor unions and for the reform. Ilko and the doctor are sufficient; the others are superfluous.

[Khristova] The DPS and the SDS did not sign an agreement, but they came to terms. How?

[Markov] The DPS wants to be kept informed by the SDS. We fell apart in a government crisis, when we ourselves got into a mess and the DPS was kept in the dark about how things were. Because we hold on to their votes, we cannot turn our backs on them. Until recently, we dealt with Dogan's people as in that anecdote where, in speaking about a job, we call for him: Come on, come on, my friend Mango, and after that, when it's time to be paid, go [expletive] a Gypsy. The DPS does not have any claims on the SDS or on Filip Dimitrov as prime minister and president of the SDS. They do not like the way in which he talks with them. The DPS has to be informed daily. It is a small price!

[Khristova] This is more than putting their people in as ministers.

[Markov] This is the obvious intoxication of the government, an excess that is threatening our people. Some people from the back country, who all of a sudden have seen the world and power, have become presumptuous. Krasimir Stefanov came from Devin, and we put him forward as a candidate for president of the agriculture commission. But, when we voted for the law on the land, he ran off to the United States. And Georgi Markov, who deserves some credit, then went to Malko Turnovo to explain the reform. This is a question of morale. The United States is very enticing, but you have to sit tight when laws are being passed. In our group, we have a certain Yanko Kozhukharov, who was elected on the blue ballot, but no one knows where he has been for the past two months—gone off on some business. We cannot achieve victory without the DPS.

#### Footnote

1. Because it is Bulgaria's turn at the Presidency of the General Assembly of the United Nations.

#### Price Commission Chairman on Liberalization Policy

92BA1123A Sophia IKONOMICHESKI ZHIVOT  
in Bulgarian 27 May 92 pp 1, 5

[Interview with Docent Vasil Pekhlivanov, chairman of the Council of Ministers' National Commission on Prices, by Aleksandra Chinarska; place and date not given: "Price Liberalization—The Beginning and the Present"]

[Text] *Price liberalization is a difficult and lengthy process in the conversion to a market economy. What has been done so far, and what is planned for the future? This was the topic of a talk between an editor and Vasil Pekhlivanov, chairman of the Council of Ministers' National Commission on Prices.*

[Chinarska] Mr. Pekhlivanov, could you explain the role of price liberalization in converting the Bulgarian economy to a market economy, and what were the circumstances in which it began?

[Pekhlivanov] We can clearly say that the conversion to market prices in the Republic of Bulgaria has now been completed. We cannot advance toward a market economy without market prices. This is a difficult task involving additional problems because we started with one of the most centralized and totalitarian price-setting systems. The proof of this is that, by the end of 1989—that is, prior to the start of the economic reform in our country—no more than 0.5 percent of trade was based on market prices, whereas retail prices were set for the rest by the Council of Ministers, the former Committee on Prices, and various ministries, departments, oblasts, and city councils, etc.

The other problem was that these prices were much lower than costs and presumed huge budget subsidies, primarily in the food and power industries, pharmaceuticals, and other consumer goods of importance to the population. For that reason, the range of goods, the prices of which could be rapidly liberalized, i.e., starting with a stipulated date, on which the state would no longer engage in setting them, and they would be formed on the basis of supply and demand, had to be broadened. In other words, this called for introducing market and balanced prices. Given this situation, it was entirely clear that prices would rise substantially, precisely because until that time they did not include the real cost of the production and marketing of some commodities. An additional difficulty was the great shortage on the market and the number of monopoly structures on both the national and regional levels. Adding to this the low income of most of the population and the budget's greatly limited possibilities to subsidize even some consumer goods, it was obvious that a high social stress would appear for people with low and even average incomes. That is why we logically adopted the variant of a gradual, yet relatively fast price liberalization.

According to the strategy we formulated, liberalization was to take 18 months and cover 70 to 75 percent of trade; for the remaining 25 percent, even after July 1991, the state was to set the prices of goods of prime necessity for the population, essentially foodstuffs and passenger transportation.

[Chinarska] Mr. Pekhlivanov, for what reason and on what basis were the specific percentages set?

[Pekhlivanov] The price-setting specialists who participated in the formulation of this price policy considered the experience of the economically developed countries. However, they also took actual Bulgarian conditions into account. Thus, for example, in the various countries with a market economy about 10 to 30 percent of all prices are set by the state. That is why, under real Bulgarian conditions, it was accepted that the share of state-set prices will range from between 20 and 25 percent.

Unfortunately, however, Dimitur Popov's government abandoned the step-by-step but rapid price liberalization and mounted a shock liberalization. Thus, starting with 1 January 1991, the prices of all goods, with the exception of four types of goods and services—electric and heating power, coal for consumer use, and propane and butane gas for household use, accounting for no more than 2.86 percent—were liberalized. Let us specifically emphasize that this was a wrong step under the conditions of commodity shortages on the market, monopoly structures, and the absence of a law on the protection of competition. As a result, as early as February, prices began to rise at a headlong pace. Profiting from this situation, many monopoly enterprises doubled their prices. For that reason, the state was forced to once again set the prices of liquid fuels and to keep the prices of some prime necessity goods, mainly food, under observation.

[Chinarska] Could you explain the type of prices that are currently being used and what the difference among them is? What are the essential new features of Council of Ministers Letter No. 64 of 1992, which could contribute to the revival of our economy and the faster implementation of economic reform in our country?

[Pekhlivanov] This is a very interesting question because many citizens, producers, and company managers still do not have a clear idea of how to set production prices, and what their advantages and obligations in their application are. We currently have four different types of prices:

- Market but balanced prices, which are used in the case of more than three-fourths of all sales. They are based on supply and demand, and the state cannot interfere in their area as long as they are not classified as goods produced by national monopolies. They are applied exactly as set.
- Fixed prices of electric and thermal energy and coal used for consumer needs.
- Maximum prices applicable exclusively to liquid fuels and propane-butane gas for consumer needs. This means that such goods may be sold below the set prices, but, in no case, can their prices rise above the stipulated level.
- Projection prices. These are applied in the case of observed goods that are neither maximal nor fixed. In other words, higher prices for such goods may be fixed, but the moment their set level is exceeded, the seller of the goods becomes subject to supervision. He must prove that the higher-than-forecast Price is legitimate and does not exceed profit rates and the commercial markup. Otherwise, this means that an illegal income has been earned, and, in addition to being confiscated, the amount of such profits is doubled and paid to the state as an economic penalty.

As to new aspects of Council of Ministers Letter No. 64, dated 17 April 1992, let me emphasize, above all, that it

affected essentially the entire price system that had been developed before its promulgation. In more specific terms, price liberalization continued. Some of the prices so far monitored were made free and became purely market prices. This applied to delicatessen items, butter, kashkaval, cooking oil, sugar, spaghetti, egg noodles, and flour of the 500 type. The purpose is for the prices of such goods also to be based on supply and demand and to fully reflect production and marketing conditions. Furthermore, incentives must be developed for production and imports, should domestic production be costlier and, on this basis, truly contribute to the development of competition as a factor for stabilization and even a reduction of prices.

Another change is in the level of fixed prices for energy, coal, and briquettes, in order to reflect their production costs more fully. Furthermore, this will create a greater incentive in the producers for their efforts to ensure the more economical and efficient utilization of power resources, most of which are imported and whose cost to society is high. Let me immediately add, however, that, even after their increase, the prices of such products nonetheless remain below the level of their cost and result in substantially high losses to the producers in their sale to the population. Nonetheless, a gradual path was chosen to convert such prices close to the market prices because, if this were to take place all of a sudden, the increase would be severalfold and not just 35 percent, as is currently the case, and such an increase would be impossible for most of the population to bear, the more so because the budget could not compensate for this growth by helping the retired, students, or state officials, nor would the companies have sufficient funds to do so.

Third, for the first time, minimum purchase prices for the most important farm products, such as wheat for bread, hogs, calves, steers, broilers, chicks, and cow milk, have been introduced. Thus, following the example of the EEC, a feeling of confidence is instilled, and guarantees are given to producers that, even should the market price drop below their level, their goods will be purchased at the prices set in the decree. On the other hand, by setting the level of such prices, income is transferred from monopoly purchasing and processing companies and organizations to farm producers. The latter are provided with better economic conditions for work compared to the period prior to the enactment of this resolution.

Fourth, in connection with the higher level of the new minimum purchase prices of raw materials for the food industry, new projected prices are set for goods monitored by the government—that is, for prime-necessity goods.

Fifth, a new regulation was passed on monitoring and supervising the prices of goods and services of particularly great importance for maintaining the living standards of the population and the country's economy. The

regulation categorically indicates the range of such monitoring and the way it should be implemented. In addition to the other important reasons that necessitated the adoption of this regulation, let me emphasize one of them—that is, the need for the necessary legal base for control over prices by oblast and township administrations. This is particularly necessary because, given the limited membership of our commission, consisting of 30 field associates, we are unable to provide the necessary control over the prices of the monitored goods throughout the entire territory of the country.

Another important feature is that this Council of Ministers letter does not affect the structure of maximal prices of liquid fuels because it is oriented essentially toward the market. This means that the maximal prices the National Committee on Prices must set for each 15 days are a function of the prices on the international market for such fuels, the exchange rate of the dollar, the market price of the cost of transportation and insurance up to our border, excise fee rates, and specified trade discounts in the sale of such fuels throughout the country. This is good because it is thanks to this price-setting mechanism that prices currently are quite stable. Another useful feature is that experienced traders, who make profitable deals on the foreign market, are thus able to sell their goods within the range of the maximal prices, ensuring adequate profits and, in some cases, selling at prices below the set ceiling. This enables them to successfully participate in the competitive struggle for customers in the domestic market.

[Chinarska] Mr. Pekhliyanov, my next question to you in connection with the latest price increase is: Why did it occur precisely now, and why was it so high? Furthermore, would such prices not have a major impact on the already lowered living standard of the population?

[Pekhliyanov] It is no accident that Mr. Filip Dimitrov's Cabinet waited for winter to go by before raising prices. Summer is a better time of year for the people to adapt, to seek opportunities for additional sources of income, and to assess how to ensure their heating needs for the following winter, while economic managers can organize adequate production facilities. The losses in our power

system are not only not declining, but are also worsening because the budget is unable to provide the necessary subsidies, and everyone is familiar with the problem of obsolete equipment.

As to the link between prices and living standards, unquestionably the new prices will have an impact on the size of the social minimum and the actual amount of pensions, minimum wages, scholarships, and, in general, the population's income. However, to block to a certain extent the decline in the living standard while at the same time achieving the objective of working more, better, and more productively as a factor of the competitiveness of Bulgarian goods, we must determine quite accurately which social groups and population strata are truly most affected by the new prices. We need a differentiated approach in the amount of compensation provided by the budget. As to the additional funds that must be procured by the companies for their personnel, they are related to their skill, work, and coordination under the conditions of a market economy; without violating the laws, they must increase their revenues, which would also lead to higher salaries.

Naturally, we must not ignore the fact that, at this stage and considering the actual conditions under which the Bulgarian economy and the Bulgarian people are operating, we must take into consideration the growth of income; otherwise, it would be difficult to abandon superinflation and convert to a moderate and reasonable increase in consumer prices. We must also take into consideration that, supervising the observance of requirements governing the Law on the Defense of Competition, the Law on the Struggle Against Speculation, and others, conducted by the authorized authorities, is absolutely necessary and inevitable at this stage.

Everyone must clearly realize that the gradual price liberalization, along with privatization, demonopolization, and economic restructuring, was a very important prerequisite for surmounting the commodity shortage and the appearance of true competition, the social price of which will not be minimal.

[Chinarska] On behalf of our readers, I greatly thank you for your responsiveness.



**CSAV Economics Institute Views 1992 Economy**  
 92CH0722D Prague HOSPODARSKE NOVINY  
 in Czech 15 Jun 92 p 8

[Abridged version of a report by Eng. Kamil Janacek, et al., of the CSAV Economics Institute: "The Czechoslovak Economy at the Beginning of the Year—A Macroeconomic and Social Analysis: Spring 1992"]

[Text] *In topical journalism, we have already reported on the latest regular macroeconomic and social analysis of the Czechoslovak economy done by the Economics Institute of the CSAV [Czechoslovak Academy of Sciences] which was worked out by a scientific team led by Eng. Kamil Janacek. Today, we present a somewhat abridged version of the original summary chapter. In the coming days, we shall return to this analysis again.*

The current phase of transformation pertaining to the Czechoslovak economy is characterized by quite contradictory tendencies. There has been a significant decline in production and in the gross domestic product which was caused by the following factors:

- The disintegration of markets in the former CEMA countries, and particularly of the Soviet market. A portion of the production oriented toward these territories is totally unsalable in other markets.
- The sharp decline in domestic demand for consumer goods and investments in consequence of the liberalization of prices, the preprivatization climate in the majority of state enterprises, and the decline in the traditional ties between Czechoslovak enterprises.
- The beginning decline in material intensity with respect to Czechoslovak production, something which has been manifested in a decline in the domestic demand for some raw materials and semifinished goods.

On the other side, it is possible to observe that in some sectors and enterprises economic revitalization has begun:

- The expansion of the private sector, particularly with regard to trade and services. A more rapid expansion of the private sector in Bohemia is one of the reasons for the less palpable consequences of the economic transformation in the Czech Republic in comparison to those in Slovakia. In Bohemia, the private sector shared in the gross domestic product in 1991 to an extent of virtually 10 percent, whereas in Slovakia, this figure was at 4 percent. Expansion of the private sector has a similar effect upon the creation of new jobs. An estimate speaks of 1 million job opportunities. It can be justifiably deduced that the differentiated extent of unemployment in Bohemia and in Slovakia is, among others, caused by the different pace of dynamics in the private sector.
- The growth of exports to regions with developed market economies. The devaluation of the Czechoslovak koruna as well as the loss of Eastern markets compelled numerous producers to seek replacements

in the markets of developed economies, particularly in countries of the European Community. Following a 10-percent rise in exports to this region in 1991, exports are growing at the same pace even during the first quarter of 1992. It is possible to conclude that the loss of the CEMA market is being successfully compensated for to a certain extent (which is modest for the time being). In contrast to some of the neighboring economies which are transforming themselves, Czechoslovakia has an undisputed comparative advantage, both with respect to its rate of exchange and its wage level.

- The successful control of inflation. Beginning in the second half of 1991, the quarterly measure of inflation has not exceeded 2-3 percent. This has sharply reduced the inflationary expectations, both of households and also of entrepreneurial entities and was reflected in a growth in savings by households and in the creation of deposits by enterprises. An increase in investment activities in some segments of the economy can be explained, among others, by this fact as well.
- In the first quarter of 1992, the decline in consumer demand was halted and, as a consequence of a slight rise in real incomes, it is possible to figure that it might increase moderately, although it will be strongly differentiated, in comparison with last year.

Significantly controversial and strongly differentiated development is characteristic both for the entire economy and also for the individual branches and sectors. In principle, it is true that the dividing line between successful and unsuccessful enterprises runs more likely within sectors and branches rather than between them. Enterprises which have good export outputs, contacts with foreign capital, or high-quality management differ expressly from the others.

The positive effects of the partial debt forgiveness for state enterprises and the strengthening of the capital position of the commercial banks is beginning to show up, following the inevitable time delay. Among other things, this factor made it possible, in the first quarter of 1992, to orient more than one-half of the increase in credit into the private sector. Gradually, other measures of government policy to support private enterprise are beginning to be felt, such as the establishment of the Guarantee Bank (Zarucni banka), the possibility of paying part of the interest through participation in selected programs, etc.

The transformation of the economy has exerted different influences upon industry and agriculture. The differences are clear, not only in comparing agriculture with the other links in the vertical food chain, but also with the other sectors of the economy. The consequence of price development and the functioning of a number of other factors connected with the transformation of the Czechoslovak economy is the critical income situation in agriculture. Negative consequences are reflected also in the process of privatization applicable to state farms and the transformation of agricultural cooperatives, in the

reproduction process in agriculture, which also creates a certain risk with respect to supporting the extent of agricultural production at the anticipated food security level.

The development of prices for agricultural products was and is fundamentally different from the development of producer and consumer prices. Indexes of prices for industrial producers were three-fourths higher on average for 1991, the index for construction work prices increased by virtually three-fifths, the index of consumer prices rose by not quite three-fourths, including the index for foodstuffs, which rose by more than three-fifths and the index of nonfood products rose by 90 percent. Only the prices of agricultural products stagnated. On average for 1991, they were higher by 3.8 percent than was the case for 1989, and compared to the level of the previous year, they did not increase. This development continued even in the first quarter of 1992. The prices of agricultural products stagnated, while the price levels of a number of important inputs rose.

The cumulative effect of the decline in demand, coupled with the stagnation of agricultural product prices, with the express increase in the prices of input materials, the substantial lowering of the volume of subsidies, the deterioration of credit conditions, was so extensive that not even extraordinary savings in production costs were able to prevent overall losses (Kcs10 billion for 1991). Some 73 percent of agricultural cooperatives and 87 percent of state farms are losing money.

Contributing to the situation is also the fact that agriculture was at the receiving end of substantially less attention than the other sectors in terms of existing government economic policy. The differentiated progress of the transformation in agriculture compared to the other sectors of the economy can be a potential source of tension and economic difficulties.

A relatively positive development can be noted in external economic relations. The balance of trade is Kcs4.4 billion on the positive side. The entire surplus was created by exports from the Czech Republic. The positive balance of the balance of trade was reflected in a surplus of the current account in the balance of payments in convertible currencies, which amounts to \$295 million for the first quarter of 1992. Foreign exchange reserves for the same period amounted to \$3.65 billion and are approximately at a level of four months' worth of imports. At the same time, gross indebtedness declined from \$9.4 billion to \$9.1 billion. The fact that the influx of direct foreign investments in the first quarter of 1992 amounted to \$230 million can be considered to be a particularly positive development.

During the first four months of 1992, the labor market recorded a decline in unemployment in both republics. This is the result of the effect of a number of factors:

- The tightening up of conditions for making support payments to the unemployed was reflected in greater activity on the part of the unemployed in seeking new jobs.

- Both the creation of jobs in the growing private sector and also the policies of both national governments which are oriented at creating public works jobs are seen as positive manifestations. A particularly successful solution to the unemployment problems besetting new graduates of middle and advanced schools was the creation of so-called assistant jobs, paid for from resources of labor offices. As a result, unemployment in this category declined to a level below 10 percent (which, in comparison with West European countries, is a very low figure).
- The preprivatization status in the majority of state enterprises, which is currently no longer characterized by efforts to preserve the level of production, but rather by efforts to preserve the level of employment. The solution of overemployment is being transferred to the responsibilities of new managements or shifted into the time frame of privatization.

Regional and structural differences in the labor market continue. The measure of unemployment in Slovakia is approximately three times that of the Czech Republic; the number of unemployed with basic education is increasing and the number of unemployed advanced school graduates is decreasing. The number of women in the overall number of unemployed is palpably higher than their proportional numbers in the work-capable population. Higher unemployment is plaguing particularly those regions which have a one-sided production orientation. Changes, which are under way in agriculture (primarily the disintegration of large state farms), already expressly influence the status of unemployment in some regions in 1991.

In 1991, incomes based on wages grew more slowly and agricultural incomes declined, while there was a relatively rapid increase in social incomes. As a result, total monetary income contained a growing share of social incomes and a declining share of income based on work activities. Given an overall decrease in real incomes by 26 percent, the real value of old-age pensions declined to a lesser degree, by 19 percent approximately. Social policy emphasized compensation for the rise in prices in social incomes (for example, the average old-age pension in 1991 was 73 percent of the average net wage, which is the highest average since 1954). This development made a significant contribution to the social acceptability of the first phase in the transformation of the Czechoslovak economy.

The development of nominal and real incomes in the first quarter of 1992 was quite different. Nominal incomes rose by 25.6 percent, real incomes rose by 8 percent; real wages rose by more than 4 percent. The decline in real incomes was halted; at the same time, there is a higher pace of income growth based on employment, the share of which in total incomes is rising once more.

The differentiation of incomes continues. Currently, this is aided by both wage differentiation and also by the development of private enterprise and, last, but not least, even by extrajudicial rehabilitations. Of course, property restitution has an effect primarily upon property differentiation, which is practically always greater than income differentiation.

A fundamental problem is the question of how Czechoslovak society, in which income and property equalization is very deeply rooted, will come to terms with this new element. Even though equalization was frequently the object of criticism and even though the majority of people recognized the need for a more express application of merit principles, greater property differences give rise to a priori aversion; it is something similar to recognizing the need for radical economic reform on the one hand and demanding maximum social security on the other. It must be said that such inconsistencies are typical with respect to the present Czechoslovak society. Income and property differentiation is moreover also occurring under conditions accompanied by the loss of social comfort and, in part, even social certitudes. Therefore, it can be expected that the social consequences of ongoing changes are and will be palpable.

Developments in 1991 already sent a signal indicating that restraint in purchases and frugality in consumer conduct, as well as a renewed inclination toward savings could grow into a more permanent trend. Elements of decisionmaking over a longer time frame and efforts to diversify economic activities to secure financial resources for households were also becoming ever more discernible.

Developments in the first four months of 1992 confirm this trend. The pace of expenditures by the population, compared with last year, tripled; nevertheless, it remained substantially lower than the pace of incomes.

The fact that incomes are outpacing expenditures points to a positive shift in the financial conduct of the population, which manifested itself in a preference for savings in favor of finite consumption, in efforts to create a reserve for business intentions, but also in order to make higher payments. The population is already reacting to uncertain economic development by conducting itself in accordance with the customary algorithms of a market economy, that is to say, by accumulating monetary reserves in place of reserves of goods. It is gradually crystallizing a new image with respect to the economic behavior of households, demand and consumption have become stabilized in a new structure. However, this stabilization does have time and volume limits.

### Coalition Crisis, Political Situation Assessed

92CH0788B Budapest FIGYELO in Hungarian  
2 Jul 92 p 6

[Article by Gyorgy G. Markus: "Declining Demand for Ideology; Expanding Ideological Supply; They Have a Mission in the Political Marketplace"]

[Text] Jozsef Antall recently announced the government's new slogan: *The present coalition must win the 1994 elections in order to implement its program. The author of the following article strongly criticizes the coalition and its program of acceleration, which, in the author's opinion, is an expression of the coalition's crisis.*

We can say it aloud, since it is becoming more and more obvious, that the government is in a crisis. Of course, this statement must be explained specifically from two sides. On the one hand, and this weakens the severity of the categorical statement, there is no sign that the government will fall or will be overthrown before its term is over, not even with all the unpredictability of the coalition's second party. Jozsef Antall has a solid parliamentary majority. On the other hand, the government crisis is primarily a crisis of the new state party, the MDF [Hungarian Democratic Forum]. This is chiefly a crisis of trust, of legitimacy, and of a party that attributes both its strategy and all of its practical steps and statements to its sense of a historical mission, the crisis creates an especially unpleasant, even unbearable, situation.

The defeat of Bela Kadar, the MDF candidate in Bekescsaba by the joint candidates of the liberal parties, and the socialist Gyorgy Keleti's easy victory in Kisber indicate a change in society's behavior. Janos Kenedi accurately pointed out the deeper reasons for this: Society is turning a deaf ear to national rhetoric, but its social sensitivity is increasing (Magyar Hirlap, 12 June). The election propaganda of the MDF impressed large masses by emphasizing national and Christian values on the one hand and by embodying a "calm force" on the other, thereby suggesting a smooth and painless economic and social transition.

#### Prosperity First

The majority of the population, which just like ten years ago, considers prosperity to be most important, is disappointed, insecure, and frustrated. Seventy-one percent of the people agree completely, and 21 percent agree partially that society as a whole is responsible for providing adequate housing and income for everyone. More than two-thirds of the population reject the unconditional implementation of a market economy, and a "Kadarist nostalgia" is growing. Those in power do not speak the same language as the majority of the population (Maria Vasarhelyi, Mozgo Vilag, June 1992).

In more general terms, we must also say that the crisis affects not only the government, not only the governing party (or parties), but in a certain sense, the entire political structure. In the transition period in Hungary,

just as in every postcommunist society, a "cultural politics" has evolved—to use the language of political science. In other words, the parties developed alongside lines of conflicts which divide the population not in the dimension of the economy, but in the dimension of culture in a wider sense. Hungarian nationality, religion, ethnicity, moral order, taste, judgments, and prejudices—these were the categories by which the parties and their sympathizers were guided. The programs of the different political parties differed not so much in their contents, but rather in their style. They offered alternatives not according to interests, but according to abstract values.

The fundamental opposition, as in a number of Asian and Latin-American political systems, developed between the two political camps based on the value systems of traditionalism and westernization. This opposition inevitably put obstacles in the way of a politics based on rational compromises. After all, one can only bargain and agree on the basis of tangible interests that can be rationalized, but not on the basis of sacred principles and beliefs of ideologies.

#### Re-Kadarization

The ideological element was a determining factor in the governing and legislative activities of the MDF from the beginning. Its leading politicians declared "national renewal" to be the government's program, and they tried to implement ways of catching up with developed Western capitalism and modernization, while at the same time observing the priority of historical continuity (or, in other words, in an expression often used by the prime minister: the priority of national mythology). According to Sandor Csoori, who became the ideologue of the national myth, one must not practice politics by only logically thinking something through; "he who rejects history cannot have integral, organic thoughts." Thus, it is no wonder that the laws on compensation and on returning church property had a priority over privatization, and the creation and discussion of numerous symbolic laws took time away from the budget and other questions of similar importance.

After the municipal elections and the trauma of the blockade by taxi drivers, it seemed that the government put less emphasis on ideology, as was indicated chiefly by the appointment of Finance Minister Mihaly Kupa. However, since last fall, i.e., since the document that was prepared by Konya first became a program, it has become apparent in the government's activity that the MDF's top priority is the extension of power. It may not be an overstatement to apply the term "re-Kadarization" to this process, which is still underway and is intended to fill the inflated administrative, economic, and power machineries with partisan officials and to keep a firm hand on the media.

Labeling competence as a "petty bolshevik trick" goes hand in hand with placing the ideological struggle, i.e. the "cultural struggle," in the center of attention; and

when Ferenc Kulin accuses Gombar and Hankiss of not checking their personnel policies with the government majority, when the minister of culture proclaims that morality is embedded in religion, then it seems that the era characterized by Aczel's "manual control" and the hegemony of Marxism is returning. The maneuvers of the coalition to erode Arpad Goncz's functions, to discredit his person, or even to induce him to resign, as well as to extend the sphere of authority of the government and the prime minister are somehow reminiscent of the concept of "the party's role of leadership." It would likewise be an overemphasis on the majority principle of democracy....

Turning to the past, establishing a national mythology, ignoring Trianon [peace treaty after World War I which led to the loss of territory formerly belonging to Hungary] in intellectual and moral terms, are all central elements of an ideology which is opposed to "boundless liberalism," but which has an exclusive claim on "classical liberalism" that Jozsef Antall would not lend to political adversaries who were not worthy.

#### "To Navigate Is Necessary"

A U.S. analyst once wrote about the late Kadar era: The true slogan of the Hungarian Socialist People's Party is no longer "Proletarians of the world unite" but, rather, the pragmatic principle "*Navigare necesse est*": "To navigate is necessary." Indeed, by the beginning of the eighties, the Kadar regime was deideologized to a large extent. However, faced with the economic difficulties of 1984-85, the leadership at the time could not withstand the temptation to accelerate growth, in spite of clear warnings by reformers and experts. Something similar is happening today with the passage of the program prepared by the GAM [Working Committee of Economic Strategy]. Contrary to the professional Kupa program, which was directed toward deregulation and the withdrawal of the state (of which the implementation has been meeting with resistance by the ideological political center of the statist government parties), the idea of acceleration, and stronger state intervention was accepted in the GAM program. "This political regime and this government can no longer be shaken.... Next year, the Hungarian economy will gain momentum," claimed Istvan Csurka (MAGYAR HIRLAP 22 June).

The GAM program, in accordance with its sense of mission, is impatient and wishes to break out rather than to conform to the limits imposed by real economic processes and the international environment. Its implementation could lead to imbalances, a weakening of previous antiinflationary policies, and, contrary to the expectations of the MDF, it could worsen rather than improve its chances of being reelected. The same is true for the media war, and for the maneuvers against the president....

After Bekescsaba and Kisber, the MDF's defeat seems more and more likely, and this cannot be prevented by an ideological offensive or the attempt at economic

interventionism. However, if we consider the main reason for the decreasing popularity of the government coalition, the deterioration of the population's economic and social conditions, the processes of impoverishment, the insecurity of existence, and lack of perspectives, then we must conclude that a purely liberal version of economic and social policy aimed at the state's withdrawal is not a "winning alternative" to a national-conservative etatism. Just as the socialists, in order to become true social democrats, must accept that there is no modernization without a market economy based on the dominance of private ownership, so the liberals must also recognize that being part of Europe also means being a social partner, and that a democratic transition can only be implemented through a certain degree of socially motivated state redistribution. That is to say, it would be appropriate for all three parties of the opposition to take a step in the direction of social liberalism. However, to do so, these parties would also have to step over numerous ideological barriers.

#### Ministry Official Views Visegrad Cooperation

AU1407113392 Budapest MAGYAR HIRLAP  
in Hungarian 9 Jul 92 p 4

[Interview with Janos Martonyi, administrative state secretary at the Foreign Affairs Ministry, by Ivan Scipiadis; place and date not given: "The Visegrad Three Cannot Be Reduced to Two Members"]

[Text] If the Czech and Slovak people decide to continue their life in two separate countries, then this will have to be accepted by everyone. In this case, we are willing to continue the Visegrad cooperation with four members. However, if the Czech lands leave then Visegrad will not be the same anymore. If the question is whether the remaining three countries can continue to do the same after one country leaves, then my answer is no. The Czech lands have to decide whether they want to strengthen their Central European links and Slovakia has to decide whether it wants to choose the road of cooperation or nationalist emotions, Janos Martonyi said in an interview for MAGYAR HIRLAP.

[Scipiadis] Recently, Vaclav Klaus, finance minister of the CSFR before the elections, stated that he had never really wanted to have the CSFR-Polish-Hungarian cooperation that is referred to as Visegrad, and the Czech lands will not be interested in continuing this cooperation if they and Slovakia separate. What are the prospects of "Visegrad" after all this?

[Martonyi] It is no secret that we consider Visegrad very important. I personally believed, and I must admit, still believe in it or at least in what it represents. In my view, Visegrad is much more than a slogan created by momentary tactical goals. Visegrad is an experiment to turn the Central European cultural, historical, and geographical reality into a political and economic reality.

This has begun because cooperation started in almost all areas of politics and the economy.

Free trade negotiations were started and an agreement was made on the basic principles: The participants will gradually remove all obstacles of trade in 10 years in a symmetrical system, which means that they will grant each other privileges of the same value and at the same time. They will grant at least as much privilege to each other as to the EC, in other words, we want to coordinate our system with that of the EC. In addition to industry, free trade also extends to agriculture which is an extra element compared to our associate membership agreements with the EC. Indeed, we must think about the future of this cooperation.

If the Czech and Slovak people decide to continue their life in two separate countries then this, obviously, will have to be accepted by everyone. Consequently, we are also willing to continue this cooperation with four members. In my view, the Czech lands are also fundamentally interested in maintaining a Central European cooperation. I am not saying that only Visegrad denotes Central Europe. There is a very specific Central European identity that has now resurfaced. I need not emphasize how important it is for the tendencies of cooperation and integration to appear in Central Europe. The tendencies of confrontation are already present. We need to counterbalance them by taking a European model as an example, namely the model of integration. This would be Visegrad. This tendency is also reflected in the Pentagonale-Hexagonale-Central European Initiative trend.

The Czech lands have to decide how much they want to strengthen their Central European links and Slovakia has to decide whether to take the road of Central European cooperation or the road of nationalist extremes. As far as we are concerned, it is certain that we will choose the former in our bilateral relations. We do not have any prejudices. We would like to continue Visegrad with either three or four participants.

[Scipiades] However, what happens if the Czech people really do not want this and the Slovaks do not want it, either, for some reason?

[Martonyi] Visegrad is made up of either three or four members—either with the CSFR or with the Czech lands and Slovakia. There is no other sensible alternative. If the Czech lands withdraw from it, which I do not think likely—it is only a hypothesis and neither I nor the Hungarian Government has an established opinion on this, and therefore there is no point in talking about it—then it will not be Visegrad anymore. Therefore, if the question is whether the remaining three countries can continue with this after the withdrawal of one participant, then my answer is no.

In my view, it is also questionable whether an independent Slovakia would want to have a free trade agreement after the withdrawal of the Czech lands.

I do not exclude the possibility that the Central European Initiative will have a greater emphasis in the future than up to now. Italy and Austria are included in this cooperation and it is opening toward the European Free

Trade Agreement, the EC, the European Economic Area, and the Mediterranean Sea region at the same time. At the summit in Vienna on 17 and 19 July, the intentions to cooperate will be confirmed, and I believe that we will have to pay more attention to this cooperation than before. We must find the forms that can help this region establish developed infrastructures because this is the key to our whole economic development. Under the aegis of the Central European Initiative, we could build railway lines and highways connecting Central Europe with the Mediterranean Sea, because the Initiative would be especially suitable for financing such projects. In my view, the significance of this Initiative will increase in the coming one to three years and we should be thinking about the new forms that can raise the level of this cooperation. I think that the Vienna summit will set this course.

All the nations here have to understand that how successfully we fit into Europe depends mainly on having good relations with each other, especially with our neighbors, rather than having excellent relations with the Irish or the Danish. We must prove that we are able to integrate (which is more than cooperation), and that we are ready for the big historical reconciliation and compromise.

[Scipiades] In your view, are Italy and Austria just as much interested in the Central European Initiative as we are and are they as much interested as they were when Europe was divided into two blocs?

[Martonyi] I recently visited Rome and the political director of the Austrian Foreign Affairs Ministry visited me a few days ago. Based on my discussions with them, I feel that they have a great interest. They might have a different philosophy now but the situation is also different. The Initiative is largely a matter of economic advantages for them, too.

[Scipiades] Poland has not had a government for a month, the CSFR has not had a government for a while now, and if they separate, there will be no one to negotiate with for a long time. How is the cooperation progressing under these circumstances?

[Martonyi] The EC political cooperation will hold its session in London next week and we will participate in this on the level of state secretary and political chief director. The Visegrad three countries will discuss their position on the eve of the London meeting. Therefore, this level is functioning. However, the Polish and mainly the Czechoslovak situation is undoubtedly hindering the work to do with the Polish-Czech-Slovak-Hungarian free trade agreement. Nevertheless, the experts are continuing their meetings.

**Csoori: Trianon Borders Revision 'Pipe Dream'**

92CH0791C Budapest NEPSZABADSAG in Hungarian  
26 Jun 92 p 3

[Article by Veronika R. Hahn: "The Revision of Trianon Borders Is a Pipe Dream; A Talk With Sandor Csoori in London"]

[Text] *Personal meetings with Magyars abroad is extremely important because it can be substituted by no other form of maintaining relations. This is what Sandor Csoori said in London to the NEPSZABADSAG correspondent. This was the first opportunity for the interim chairman of the World Federation of Hungarians to talk with Magyars in England who assemble in clubs and associations, of whom more than 100 attended the evening conference held at the Hungarian Embassy.*

(From our London correspondent) Sandor Csoori stressed that he wishes to make the restructured World Federation of Hungarians an organization which is independent from governments and parties and which transmits mainly cultural values. He thinks it is important for the Federation to deal with the concept of nation, which he thinks must be clarified with great care. The issue of the nation was one of the most heated topics during the 30 years of debates that Sandor Csoori had with his friends in the opposition, and he thinks it is a shame that this debate has become distorted. "Now we are only punishing ourselves," said Sandor Csoori, "if we do not clarify our past and what happened to us."

Sandor Csoori said that it was an important function of the World Federation of Hungarians to reveal the cultural variety of Magyars living abroad, for in living abroad, they have naturally assimilated the culture of their host countries and at the same time are preserving, and even trying to manifest, the Hungarian culture that is in their genes. Csoori mentioned Chagall's art as an example, in which the Ukrainian, Jewish, and French cultures can be detected at the same time. Csoori envisions a special role for the World Federation of Hungarians in two or three years when its position will become stable. As a nonpolitical, nonpower organization, it could make recommendations, it could serve as a transmitting agent in international forums, and it could offer counsel in the present East-Central European crisis regions. In connection with the Third World Conference of Hungarians in August, Csoori said that its significance is much greater than that of the 1938 world conference. This will be the event where former political refugees will be rehabilitated, can hold lectures, can voice their opinions, and Csoori hopes that this togetherness will contribute to the development of democracy and tolerance in Hungary.

Csoori has high expectations of one of the world conference's main initiatives. One of which is that Ervin Laszlo, a member of the Roman Club who foresees an ecological apocalypse, will propose that a Budapest Club be established for the preservation of the world's environment. Many well-known personalities are expected to

attend the event, including Ede Teller, Zoltan Bay, Gyula Borbandi, Miklos Duray, and Andras Suto.

[Box, p 3]

MTI—Those present at the meeting raised the issue that western Magyars expect the Hungarian Government to be more decisive in standing up for the revision of the Trianon borders. Csoori replied by saying that only a Hungary that is stabilized from within can stand up for the interests and rights of Magyars living in the Carpathian Basin, but only through diplomatic and intellectual means and in a way that will not work against the interests of the Magyar minorities. "The historical opportunity must not be wasted," he said, and pointed out that border revision is a "pipe dream." The solution is to make borders that separate connecting links and to establish a variety of territorial, administrative, and personal autonomies. Recalling Marosvasarhely's example, he said that local Hungarian leaders must also consider the interest of the majority people, for that is the way they can best serve their own people. He also pointed out that the issue at hand is not solely a Hungarian issue because millions of Russians, Serbs, and Croats are now becoming minorities and, thus, the solution is a joint human and European affair. Magyars can find ways of improving their situation only through cooperation with other countries and other peoples, Sandor Csoori explained.

**FKgP Said Ending 'Purification Process'**

92CH0793D Budapest NEPSZABADSAG in Hungarian  
24 Jun 92 p 5

[Unattributed interview with Emese Ugrin, parliamentary representative of the Independent Smallholders Party, in Szalka; date not given: "We Do Not Know Exactly What the Smallholder Membership Wants"]

[Text] *Early this week, Attila Kalman, political state secretary of the Ministry of Education, inaugurated the artists colony in Szalka, created by Sarkoz artist Janos Kiss with the support of the Attila Jozsef Social Fund. Emese Ugrin, parliamentary representative of the Independent Smallholders Party [FKgP], was present at the ceremony.*

*In reply to the question from our correspondent, she said that the FKgP is going through the end of a purification process. She thinks that the party may break into several factions, but it may also be possible to settle the issues legally.*

[NEPSZABADSAG] Is a union between the 35's and the 10's expected?

[Ugrin] We have good relations, but a union is a complex matter. One reason is that the 35's stayed in the coalition without being backed by a party, and the 10's joined the opposition with party backing.

[NEPSZABADSAG] Who called a general council meeting over the weekend?

[Ugrin] It was Jozsef Torgyan. He did it illegally, for only the national council has the right to call a meeting. Incidentally, I think that the membership, too, is tired of the quarrel of 40-50 people and is demanding a change. However, at present, no one knows exactly what the membership—which, because it is summertime, is busy at work—wants. Many people have chosen passivity.

[NEPSZABADSAG] Still, many people go to Torgyan's meetings.

[Ugrin] It is hard to say how many followers Jozsef Torgyan has. Some say it is 5,000 to 6,000 people, others say that he is backed by only a core of a few hundred. The picture is really unclear. The FKgP has always been a party that loved meetings; hundreds of people will go to an event even today, but no conclusions can be drawn from that.

#### **Antall Speaks in Provincial Town on Border Threat**

92CH0793A Budapest NEPSZABADSAG in Hungarian  
29 Jun 92 p 4

[Article by "country correspondent": "Antall Says Europe Can Only Flourish Together With Us; Celebrations on St. Ladislaus Anniversary"]

[Text] At week's end, St. Ladislaus celebrations were held in several locations in the country. The ruler, who was canonized 800 years ago, was commemorated at scholarly meetings and with politicians' speeches. A St. Ladislaus Memorial Fund was established in Kisvarda. Prime Minister Jozsef Antall and parliamentary speaker Gyorgy Szabad took part in the festivities at the town of Szabolcs. In Budapest, Cardinal Laszlo Paskai, archbishop of Esztergom, spoke at the High Mass.

Jozsef Antall was the key speaker at the Saturday morning commemorative celebration in the town of Szabolcs. Gyorgy Szabad unveiled St. Ladislaus' bust, sculpted by Imre Varga.

The general meeting held at the town's sports facilities began with an ecumenical thanksgiving celebrated by Esztergom archbishop Istvan Seregely, Hungarian Reformed Synod President and Bishop Elemer Kocsis, and Hajdudorog Eastern Orthodox Bishop Szilard Keresztes.

In his speech, the prime minister, drawing a parallel with the present, described how important it was for Ladislaus to create, through just and strict laws, an internal order for the state and the church. This was how the image of him as a king who protected his people and Europe was able to develop. The opportunity and willingness to begin anew was another Ladislausian message, for a previous world is collapsing or is being transformed all around the country. The prime minister emphasized

that only this recognition will allow us to value the fact that "no blood has been shed for Hungary's restructuring, and I hope that we will not have to be concerned about losing human lives in the future either." At the same time—and this admonishment can also be connected to St. Ladislaus—we must make sacrifices for the defense of the country and its borders. For dissatisfied and uncontrollable armies are standing in neighboring lands, threatening the entire region. One result of the fall of the so-called Iron Curtain is that Western European countries and, indeed, other parts of the world, are not protected anymore, and if they fail to help us stand on our feet economically and solve our severe social problems, then the secure nations, isolated in their peace from the problems of others, will not last for long either. In other words, Europe and the world can only flourish or collapse together with us and, for this reason, a broadly interpreted Atlantic solidarity must be established, the prime minister emphasized.

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On Sunday, Interior Minister Peter Boross spoke in Somogyvar: "St. Ladislaus can be an example for posterity of a king who created stability and order," he said, "for he recognized the dictates of his time and assured the presence of Magyars in the Carpathian Basin for a thousand years." Following the High Mass, the interior minister put a wreath on the memorial monument that stands where St. Ladislaus's tomb used to be.

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Laszlo Paskai spoke at the High Mass celebrated in Kobanya's St. Ladislaus Church about the fact that many people wish to ignore the Christian foundation on which our country's history was built. But experience will show that Christianity is a nation-building force.

#### **National Assembly Adopts Civil Service Law**

92P20341A Budapest MAGYAR KOZLONY  
in Hungarian No 56, 2 Jun 92 pp 1953-1964

[Summary] Budapest MAGYAR KOZLONY No 56, 2 Jun 92 pp 1953-64 carries the full text of Law No 33 of 1992 concerning the Legal Status of Public Employees, adopted by the National Assembly at its 5 May 1992 session.

The law applies to state and local government employees; it recognizes public employee interest groups, including trade unions, as well as collective bargaining agreements, and provides for mediation at various levels; grants authority to ministers to determine and change the legal relationship between the employer and the employees, to establish basic work assignments and to set time limits for probationary employment; and authorizes the government to establish work assignments for higher level employees.

The law provides in detail for the termination of the employment of public employees, for the obligations of



the employer to provide for training and continuous education, and for disciplinary proceedings against public employees. Further, it specifies leave and rest periods due to public employees, and the promotional and compensation system applicable to public employees. Finally, the law establishes limits of public employee and employer liability for damages.

### **Savings Bank Sues Banking Supervision**

92CH0806A Budapest FIGYELO in Hungarian  
9 Jul 92 p 11

[Article by Emilia Sebok: "Savings Bank, Inc.; Suing Supervision"]

[Text] *A naivete that is ill-suited for bankers, such as excessive trust in the office or the attitude of the office that is isolated from life and business, or perhaps the danger of an actual violation of the law, may have played a role in the beginning of the legal dispute between the State Bonds Inspectorate and the Savings Bank, Inc., which is obstructing the financial institution's planned increase in capital stock.*

In his 27 May 1992 resolution, the AEF [State Bonds Inspectorate] director denied approval of the Hungarian Cooperative Savings Bank's plan to increase its capital stock through the public issuance of shares—and the publication of the open offer. One of his justifications for the denial was that he found the method of increasing capital stock to be in violation of the law in several aspects which, the Inspectorate claims, may very well be in conflict with the investors' interests.

Taking advantage of the legal opportunity, the savings bank turned to the courts to have the Inspectorate's resolution reviewed and, thus, we will summarize the legal counterarguments mainly on the basis of the statement of claim. Deputy Director-General Dr. Janos Radnotzi elaborated on his opinion regarding to the investors' interests.

Both the provisions of the law on financial institutions and the savings bank's increased activity make it necessary to increase the bank's capital stock of 1.253 billion forints. For this reason, the shareholders, who are mostly savings cooperatives, decided last year to change the bank into an open stock corporation because the necessary increase of capital would not be feasible through only capital issue.

Even prior to their general meeting, bank executives consulted with AEF executives about the draft plan of the increase of capital stock through open subscription for stocks and, according to Radnotzi's statement, there were no reservations presented at that time concerning the details that in the end led to denying approval for capital issue. But the AEF's decision is an indication that the flaws in the plan were verbally pointed out earlier.

It was decided at the savings bank's 31 March 1992 general meeting that capital stock would be increased to

2.5 billion forints through the subscription for stocks, which began on 15 April (and will end on 31 December). However, the subscription could not begin on the planned date because that could only begin after the resolution made at the general meeting was published in the corporate bulletin. However, publication could take place only 15 days after the decision to increase the capital stock was reported to the Registry Court. Thus, 16 April would have been the earliest date for publishing the announcement and for beginning the subscription. (But it was only on 7 April that the bank submitted the decision made at the general meeting to the Registry Court, i.e., the Budapest Court.) Moreover, the AEF's awaited approval has, to date, not arrived either.

According to the AEF, the decision made at the general meeting did not meet the provisions of the law to begin with. Bank officials also recognize that it was a mistake to set such a short deadline for the beginning of the subscription; however, this decision was made on the basis of expectations (which failed to materialize) that were the result of the preliminary talks with the chief of the AEF. But they also maintain that they did not violate the law since the subscription did not begin in mid-April.

Moreover, the bank notes in its statement of claim that the shareholders' decision of the early deadline for the beginning obviously was not made for the purpose of aborting the increase of capital stock; on the contrary, their objective was to begin the subscription as soon as possible. This would have also helped in increasing the bank's available capital and in tightening the security of banking activities. Janos Radnotzi explained that the sooner the subscription would have begun, the more probable its success would have been; for investor's money must be fought for in the stock market, and the appearance of other financial institutions (e.g., the postal bank) with their stocks were also expected.

However, the AEF's denial was based on technicalities, resulting in the postponement of the date for beginning the subscription and in the need to make another general-meeting decision, now makes the accumulation of capital extremely difficult. On the other hand, in the bank's judgment, the postponement necessitated by the legal process, does not in itself mean the abortion of the subscription and is not against the investors' interests as claimed by the AEF.

The denominations of the shares is another point in the dispute between the parties, and is the AEF's strongest objection. The savings bank now wants to issue series B shares in the 500,000-forint denomination to add to the existing series A shares in the 1.3-million-forint denomination. However, the AEF held that issuing the same kind of shares (the founder's original shares in this case) in different denominations was in violation of the law on association because in this way the equity of membership rights cannot be assured.

But the bank interprets the law on association differently. It says that it is possible to issue the same kind of

shares in different denominations. Indeed, the National Registry Court's practice of readily registering the same kind of shares in different denominations also supports this.

The bank thinks that, from the aspect of economic realities and of the interests of the investors, again issuing shares in the 1.3-million-forint denomination would contradict the present market. More investors can be reached with a smaller denomination and, thus, the chances of selling the shares would increase. This would also be in the interest of the founding cooperatives themselves; they, too, could only take advantage of their right to prepurchase if the denomination of the new shares is smaller.

The bank's officials stress that the series A shares in the 1.3-million-forint denomination and the series B shares in the 0.5-million-forint denomination assure not only equitable shareholders' rights in proportion to their contributed capital (each 1.3-million-forint share representing 13 votes, and each 0.5-million-forint share representing five votes for the shareholder), but also dividends that are in proportion to the denominations. Thus, the issuance of the new series B shares is not against the investors' interest, indeed, it makes it possible for the investor to use less capital for buying stocks that assure him of the right to vote.

The AEF maintained that the general meeting decision that, in case of undersubscription, subscriptions of 300,000-forint stocks would be accepted as valid increases in capital stock, was in violation of the law. According to the AEF's interpretation of the law, the increase in capital stock would be aborted in case of undersubscription. No downward deviation from the planned amount of capital stock increase is permitted; any deviation can only be upward (oversubscription). For this reason, the savings bank's smallest amount of capital stock increase should have been set at 300 million forints, and that should have been the basis for determining the kind, number, etc. of the new shares. And, should the subscriptions exceed that, all could rejoice.

However, the bank argues in its defense that 300 million forints would have been the minimum increase in capital stock and that the amount needed for reaching 2.5 billion would be the maximum value of the issued stocks, as long as oversubscription is approved. Thus, undersubscription would come about only if it would fail to reach 300 million forints.

With this solution, the bank's shareholder cooperatives wanted to achieve a double objective, namely, to set the increase of capital stock at the minimum of 300 million forints, and to retain their own majority with a ceiling of 2.5 billion forints.

In addition to all this, there is disagreement (albeit a much smaller one) between the bank and the AEF regarding the case of workers' stocks. However, the bank bought these stocks back—still before the AEF's decision, and with the latter's approval.

But the bank's standpoint, as presented to the court, is that none of the reasons mentioned in the AEF's decision is sufficient to warrant a denial of the approval for issuing stocks and, as such, the decision is in violation of the statutes. Besides, it is very much against the bank's interests. According to the bank, the denial was based on technicalities and on an inadequate assessment of the market situation.

However, not only the world of banking awaits the court's decision with great interest, so do associations active in other fields, because the rules to increase capital stock and to issue shares are the same—i.e., they are interpreted in the same way. So, there is a great need, before the final development of the stock market, for a reassuring clarification of the issues that emerged in the savings bank affair.

### MNB Official on Debt Relief Proposals

92CH0807A Budapest FIGYELO in Hungarian  
9 Jul 92 pp 1, 13

["Statement" by Frigyes Harshegyi, Hungarian National Bank vice president, as reported by Emilia Sebok: "Frigyes Harshegyi on Easier Terms; Old Song, Bad Refrain"]

[Text] *Easier terms and debt refinancing are favorite—and nowadays again fashionable—ideas of politicians wishing for popularity as well as of certain Hungarian "expert" counselors who have come home from abroad. The MNB [Hungarian National Bank] staff has become a little tired of having to explain again and again why it is a bad idea for an indebted country, which should normally be able to fulfill its debt obligations, to request a deferment for repayment. For cooling this unfounded passion, which may seem to many an attractive means of national salvation, we present our article with MNB Vice President Frigyes Harshegyi's counterarguments.*

The real debate on easier terms unfolded two years ago, prior to the new administration taking office. This was actually quite understandable at that time, both from the aspect of the fundamentally changed political situation and the economic situation. However, the new administration, quite wisely, did not take this rather risky step, and the economic situation has changed considerably since then. At that time, the country existed almost from day to day, for its stock of foreign exchange amounted to a mere 1 billion dollars, as opposed to the present stock of \$5 billion. And the foreign exchange revenues originating from exports of goods and from selling services will increase from \$7 billion to an expected \$13 billion this year.

### Indexes

We cannot ignore these figures in evaluating our country's solvency. In particular, we must stress that our country's debts and repayment obligations include not only the state's debts, because the direct foreign debts of enterprises are part of the well-known \$21.5 billion debt.

The combined annual burden of servicing this debt is \$3.5 billion, about \$2 to \$2.5 billion of which is capital repayment, and the rest is interest payment. In other words, whereas debt servicing constituted 50 percent of the annual foreign exchange revenues two years ago, this ratio decreased to 26-27 percent by this year, and this is not only a significant improvement but it also closely approximates the 25-percent level that is considered in international professional literature as easily manageable. However, the real burden is interest as well as capital and dividend transfer, amounting to a total of \$1.2 to \$1.4 billion (only 3 to 3.5 percent of GDP) as opposed to the \$1.6 to \$1.7 billion that some sources claim it to be.

Adding the increased stock of foreign exchange and the collectable outstanding export debts results in an excess of \$8 billion of outstanding debts for Hungary. Thus, Hungary's net debt amounts to about \$13 billion, whereas it was \$16-\$17 billion two or three years ago. Thus, net debt this year equals the annual foreign exchange revenues. On the other hand, net debt equaled almost three years' foreign exchange revenues earlier.

Moreover, the composition of total debt has also changed for the better. Short-term debts amount to only \$1.8 to \$1.9 billion, whereas these kinds of debts predominated earlier.

The above indexes are an indication that the financial situation of Hungary, a debtor country, is continually improving and, as a result, we have joined the category of acceptable debtors. (This is indicated by the fact that, during the course of issuing foreign bonds, we succeeded in reaching the price level of Greece and Turkey.) Such a development in our country's financial situation provides solid trust on the international money market, and it would be suicidal to risk this through measures taken for easier terms. Easier terms are usually requested not by a country in this situation but by a country that is in the state of complete financial bankruptcy.

#### Withdrawal of Resources?

One of the primary arguments of those who urge for easier terms is that servicing the debt puts a continuous burden of net withdrawal of resources on our country, the adverse effect of which is manifest in dwindling investments and the population's lower living standard. However, the fact of resource withdrawal can only be determined on the basis of the total balance of payments (current and capital balance); mere debt servicing does not provide a basis for that.

Up to 1990, Hungary's current balance of payments closed with a deficit for years, occasionally by a huge margin, which indicated net use of resources. On the other hand, when combined with capital balance, we had zero balance. (Last year, for instance, the \$2 billion of working capital that flowed in abundantly covered our interest payment obligations. However, the current surplus balance of payments has increased during the most

recent years (we closed the first half of 1992 with a \$600 million surplus), and the export surplus should not be interpreted as a deficit.

Another favorite argument of those who urge for easier terms is that servicing the debt necessitates an economic policy that suppresses demand, but this would keep the economy in depression. Those presenting this argument forget that, in the meantime, a large-scale economic and market restructuring is taking place, and, in the wake of that, the GDP certainly will temporarily decline.

The purpose of decreasing the demand for credit, also recommended by the IMF, is to limit the chances of uncompetitive companies to obtain loans. Thus, the purpose of a credit restriction policy is to force a healthy restructuring, restricting resources in accordance with the norms of reorganization in the direction of a market economy. But a thorough review of corporate debt will convincingly prove to anyone that, indeed, a private entrepreneur circle and a corporate circle (mainly joint ventures) exist, which are capable of development and, thus, are creditworthy, and the amount of credit provided for them is increasing.

With regard to the external use of resources, it is precisely this area in which total liberalization has taken place in the past two years. Banks may draw foreign credit without permit, importers may freely negotiate credit purchases, and Hungarian companies may extensively draw foreign credit—with an MNB okay. Thus, those who are creditworthy can freely obtain foreign exchange credit under market conditions. What has taken place in this area is not restriction, but extensive liberalization.

On the other hand, it must also become increasingly obvious that today a relative credit restriction is not the exclusive "act" of the central bank anymore; commercial banks cannot afford either to finance unprofitable or inefficient companies.

Thus, it is bold to surmise that debt servicing is the cause for a more limited internal demand. The (perhaps historical) process of economic restructuring that is presently taking place would elicit a decreasing internal demand anyway, even if Hungary did not owe a single penny.

But it appears that the GDP's decline will soon cease, and the circumstances that are forcing the restructuring will bring results. This is much more promising for the future, even for the population, than negotiated agreements on debt refinancing in order to decrease the burden of payments.

#### Other Examples

The publication of international comparative data is a favorite method (of arguing for the ideas) employed by those who urge for refinancing. However, it is somehow always left out of these data that the per capita debt in

Denmark, Austria, Belgium, and even Sweden (not the mention the U.S.A.), for instance, is larger than in Hungary.

But let us talk about the example of the heavily indebted developing countries, several of which indeed requested and were granted refinancing and even partial redemption. Those who think that we should follow this path do so because these countries, after being somewhat relieved of their burdens, obtained new loans.

But it was the financial bankruptcy of these countries that forced them to request easier terms, and that situation also forced their creditors to be lenient. On the other hand, how could we in Hungary, where, fortunately, no such situation exists, justify a request, and why would our creditors, the creditors from whom we hope to continue obtaining money, honor that request?

It is a "mere" technicality in comparison with this fundamental question that an increasing part of Hungary's total debt consists of bank and corporate credit, the repayment of which the central bank cannot even negotiate. The apostles of easier terms fail to make any mention of this. And they try to minimize (although they do mention) the problem that it is only a relatively small part (approximately one-fourth) of the net debt—the refinancing of which could be negotiated to begin with. For the international organizations do not offer easier terms, and we do not personally know the hundreds of thousands of holders of our securities that were issued abroad. True, there are some major investment institutions among them, but an immense number of small investors also bought MNB securities.

But, even from the aspect of debt management, indeed, from monetary policy as a whole, and as far as our willingness for repayment is concerned, it is inconceivable that we should handle certain types of loans in different ways.

Let us look at the examples of a few socialist countries to see whether we should follow them. Part of Poland's state debt was indeed written off, but it has tried in vain to negotiate easier terms with its private creditors for ten years. Despite this, the Polish economy has not been stabilized, there is increasing confusion, the economy is increasingly difficult to manage, and all of this also affects the political scene because Poland has had no government for weeks. Bulgaria has not paid a cent since March 1990 to fulfill its obligation of debt repayment and yet, production is nosediving. Bulgaria cannot obtain any loans, and working capital is not flowing in.

Do Hungarians, who are obsessed with the idea of easier terms, perhaps want the same fate for Hungary?

### Growth

However, the real question is whether there will be sufficient external resources should the Hungarian economy begin to grow and how should we assess the possibility of this resulting in increased indebtedness

abroad? By definition, a growing economy has greater need for credit. And, thanks precisely to the fact that Hungary has always fulfilled its obligations, we are justified in our hope that adequate foreign resources will be available to us for developments (especially in the area of infrastructures). This would hardly be available if we began to request postponements, and the increased revenues from exports and services that result from growth are an assurance of our ability to carry the burden of even higher debts.

### Convertible Foreign Debts and Claims in Late April 1992 (in billions of dollars)

Gross debts	21.5
Gross claims	8.6
—Foreign exchange reserves	4.7
—Deposits in foreign banks	0.5
—Outstanding exports	1.9
—Export credit	0.9
—Loans and investments	0.6
Net Debt	12.9

### Postal Service Reorganization Law Discussed 92CH0787A Budapest HETI VILAGGAZDASAG in Hungarian 20 Jun 92 p 81

[Article by Bela Weyer: "Letter Aria"]

[Text] According to certain claims, nine-tenths of the letters mailed in Great Britain reach their addressees within 24 hours. Of course, there is nothing extraordinary in that fact. Even last century—to be exact, in 1875—the Hungarian Company Law legislated that the time necessary to deliver a regular letter within the area of Hungary could be estimated to be three days. The fact that now, with further progress, that time frame has increased—the Company Law of 1988 estimates the time necessary to deliver letters to be five days—can, of course, be explained by noting that the postal service has been burdened by a host of other tasks beyond delivering letters, which has drained its energy.

As a consequence of the new postal law that was passed last week by the Hungarian parliament, that explanation has become obsolete. On 1 January 1990 one of the major sources of trouble and headaches, the telephone, was separated from the postal service, and according to the new postal law, the collection of newspaper subscriptions and the distribution, or at times nondistribution, of newspapers is no longer the task of the postal service.

Back to basics. That slogan must have guided the drafters of the law in registering which basic services will either be undertaken by the state postal service, or be given to other entrepreneurs in the form of concessions. There are not many basic services; only the delivery of letters and money orders. That is the fairly modest

minimum provided by the state postal service to the citizens in the form of a permanent post office in every Hungarian municipality with a population of more than 600 and in smaller municipalities in the form of mobile service. Incidentally, the title "state postal service" is not used by accident. In his concluding words before the vote in parliament, Csaba Siklos, minister of transportation, telecommunications, and water management, said that the title "Hungarian Postal Service," which gave a name to the company, is contrary to the spirit and logic system of the law, and he rejected it.

Whatever the exclusively state institution organized with the purpose of carrying out postal services will be called in the future, it will not include too many activities. Namely, according to the new postal law, only the issue, circulation, and withdrawal of postage stamps, stationery, and money orders are activities which can be carried out exclusively by a state-owned company; in every other case, the minister can grant entrepreneurs a concession to deliver letters, telegrams, packages, or even pensions and money orders.

It is impossible to even try to guess how many applicants there will be for such concessions. Statements by postal officials given after the passage of the law suggest, however, that so far, they have not been gnawing away at their fingernails for fear of competition. However, it is also true that the law imposes stringent conditions. For instance, a concession contract cannot be granted for an entire town; for a village, yes; for a county, yes; but for a town, where the proportions of expenditure and expected return are the most favorable, it cannot be done.

With the passage of the new law, the distribution of newspapers will be "beyond the law," but that is far from meaning that any solution will be reached in that much-disputed matter. It is true that while the new regulation does not grant the postal service the prerogative of collecting subscriptions and selling and distributing newspapers, it also no longer makes such matters the postal service's task. In the discussion of the law it was proposed that at least in municipalities with a population of less than 5,000, where one can hardly expect that another agency will undertake such activity, the distribution of newspapers should be one of the postal service's tasks. In the end, however, that remained only a proposal and did not find its way into the text of the law. Thus, as far as the postal service is concerned, the future of the distribution of newspapers is still wrapped in mystery. For clarification, the new legislation merely affords the possibility of delivering newspapers provided with a wrapper because in that way, newspapers can be regarded as first class mail. However, in such a case, at current prices they would require nine- to 14-forints worth of stamps.

However, the law, which also contains numerous familiar elements—for instance, the well-known reference to "special legislation" regarding the possibilities for using detection instruments and for the examination

of packages by customs agents—will, for the time being, not affect either the areas it regulates or the ones it omits, because it will not come into effect anytime soon. The previous postal law regulated matters concerning postal services as well as telecommunications and frequency management, and the old law cannot be revoked until all those areas have been regulated. Thus, although the explanation of the law holds out the promise of ending the monopoly on the distribution of newspapers, until that law is born which will enable the new postal law to come into effect, everything will have to remain the same.

### First Round of Stock Exchange Trial Ends

92CH0787B Budapest HETI VILAGGAZDASAG  
in Hungarian 4 Jul 92 p 84

[Unattributed article: "Judgment in Stock Exchange Trial; Hazardous Plant"]

[Text] The verdict by Judge Zsuzsanna Ronyai in the dispute between Co-Nexus, Inc. and a small stockholder amounts virtually to a regulation concerning the protection of investors. According to the judgment, brokerages have an increased responsibility to their customers because of their peculiar business situation. In her judgment, in the first instance, she awarded full compensation to a small investor.

Last April, Ervin Szucs wanted to buy some stock in Dunaholding (Heti Vilaggazdasag, 28 March 1992) at a good time and at a good price, and he commissioned the Co-Nexus brokerage house to do it for him. However, the broker did not offer Szucs' option bids, because he regarded them as unrealistic, and he was unable to carry out a commission for immediate purchase, even though purchases were made below the announced limit price. The judge, who even conducted a trial on the spot at the stock exchange, regarded it as a secondary issue whether the brokers of Co-Nexus were in the room during the entire period of the stock exchange's official business hours, or whether they failed to make the purchase because they were absent. In her judgment, she argued that brokerage houses, as enterprises in possession of a special expertise, have an increased responsibility. Since only through them do the investors have access to the exchange, they can be expected to maintain an apparatus, which is able and prepared to represent the customer's interests at all times. Co-Nexus, regardless of the personal presence or absence of its broker, had to make sure that its customer's bid was offered on the floor. Because the firm failed to do that, it owes compensation.

With that judgment, the court brought the responsibility of brokerage houses more in line with forms of greater responsibility, such as that demanded of owners of hazardous plants, or what is expected in product responsibility, rather than with regular civil legal responsibility. Precisely because of that increased responsibility, the court, in a way that is fairly unusual in Hungarian justice, did not examine how much profit the investor

was demonstrably deprived of, but rather awarded him the entire amount claimed. From the data at the public's disposal, it seems that Co-Nexus had the certain option to buy only four shares; thus, the actual unrealized profit would have been the profit from the sale of those four shares. However, the court applied a different logic, assuming that what the broker did not even attempt to do would have been successful if he had done so. For that reason, it was justified to award the maximum compensation for a lost profit in the amount of 339,500 forints, which could have been attained by the immediate purchase of 10 shares, an option to purchase another 10 shares, and from the sale of those shares at a profit.

At the same time, the judgment was an indirect criticism of the activity of the Budapest Stock Exchange and the State Bonds Supervisory Authority [AEF]. The Stock Exchange can be blamed for not having an indisputably authentic register of transactions and bids, which would be accessible to at least the concerned parties. At the request of the court, the necessary protocols were provided, but they are secret documents and in normal cases investors have no access to them. Moreover, the president of Co-Nexus, Andras Laszlo, accused Erika Schalkhammer, of the Stock Exchange, of seriously unethical behavior for allowing Ervin Szucs to see the protocol before the trial. Considering the client's special situation, a partial lifting of secrecy can hardly be avoided. A client should be able to obtain authentic information from the official organs of the Stock Exchange about issues that concern him, otherwise his information on how the broker carries out his contract would be supplied only by the brokerage house.

The court especially emphasized that the contract form of Co-Nexus, although it is only unlawful on one point concerning commission, is remarkably deficient, and leaves numerous questions unclarified. On the basis of the Code of Civil Law (Ptk) currently in effect, the court nullified the stipulation of the contract according to which if a purchase or sale is effected at a price more advantageous than the limit price, the brokerage house and the investor will share the profit. That stipulation is unlawful in the case of a private investor. Incidentally, in the meantime, the Co-Nexus lawyer has contested that portion of the Ptk at the Constitutional Court.

One of the remarks contained in the judgment also censured the AEF for approving of the rules and regulations and the sample contract written by Co-Nexus. In the interest of investors who are in a vulnerable position, in the course of an investigation it is not enough for the authorities to demand that the rules and regulations and sample contracts of the firms comply with the basic minimum of legality, but rather every effort must be made to exhaust all the possibilities which the law affords.

Of course, all this was only the first round. Co-Nexus has announced its intention to appeal the decision. Andras Laszlo trusts that he is in the right and expects a

favorable decision in the second instance. The hearing for the appeal is not expected before this fall.

### **Pending Telecommunications Law Discussed**

92WT0205A Budapest HETI VILAGGAZDASAG  
in Hungarian 20 Jun 92 pp 80-82

[Article by Tamas Szalai: "The Legislative Proposal on Telecommunications; Token Torments"]

[Text] *Is it going to be possible to create a telecommunications law capable of breaking up the monopoly that was, some time ago, perceived as beneficial? The legislative proposal pending in parliament raises concern that the power of the influential interest group—evolved on political grounds at first, and later for professional reasons—rallying around the specialized ministry might be stronger than anything else.*

Hungarian citizens, by far not spoiled insofar as expectations to obtain telephone service are concerned, pin great hopes to the termination of the state-owned MATAV [Hungarian Telecommunication Enterprise] over a period of time. A theoretical possibility for this has been established as a result of a concession system based on an overall law adopted by parliament last year (HVG 18 May 1991). The grant of concessions to perform services is based on the idea that the state surrenders its earlier exclusive role in basic telecommunications services. Since the state assumes a certain responsibility for appropriate service provisions to consumers, it continues to more or less organize the market even under the concession system. Firms agreeing to deliver given services obtain concessions to temporarily exercise the state's monopolistic rights, and the grant of concessions is made in the framework of a competitive bidding system.

Since the presently dependent populace as well as telecommunications firms looking forward to an outstanding business opportunity regard the future telecommunications law as the redeemer, the fact that the legislative proposal leaves certain essential questions clearly unanswered is remarkable. Beyond a sketchy statement concerning the contents of the concession bidding system, the framers of the text would leave all the "devilish details" to ministerial decrees. For this reason many suspect that the remarkably sketchy draft might serve to frustrate telecommunications companies pounding at the door.

The legislative proposal submitted to parliament reveals only this much: The basic telecommunications grid must be operated by concessionaries, and concessionaries should also provide mobile and cable telephone services accessible to everyone, just as personal calling services. The proposal also stipulates that regional and national television and radio broadcast be operated in the framework of concessions, of course.

Accordingly, the possibility of legally sanctioned intervention by ministers is extremely broad. Thus, entrepreneurs envisioning good business opportunities in telecommunications can be convinced of not being the subjects of a squeeze-out game played by those who presently dominate the market (MATAV, Broadcasting Enterprise, and the Frequency Allocation Institute) only if the competent ministry exercises its decreeing authority based on the recommendations of an independent body. A body like this could be a forum that mediates conflicting interests in the field, or an advisory body composed of respected, authoritative, independent professionals.

Because interference by the authorities would not be legitimate, it could be worthwhile for entrepreneurs to win over to their side those who act as the patrons of the authorities, not to mention the fact that their business plans could materialize easier if they became associated with the influential enterprises that have the upper hand due to their previous monopolistic situation. More than one of the various regional telephone companies has chosen this route. Kontrax, for example, has contributed 700 million forints to the First Pest Telephone Company's 2-billion-forint basic capital. The company was established with a 32.5-percent MATAV capital contribution, and promises telephone lines in a few administrative districts of Budapest.

For this reason the legislative proposal provides for the establishment of a so-called Telecommunications Council (TT), an organization to ensure not only the legality of interference by the ministry, but also the acceptability of such interference to interested persons, according to the legislative intent. But the legislative proposal reveals only this much about the TT: Its "chairman shall be appointed by the prime minister for a four-year term, and the chairman shall appoint the TT's members for the duration of his term of office. The TT shall formulate governmental positions regarding telecommunications policy and development, and shall make recommendations concerning proposals which affect consumers, or significantly influence the telecommunications market. The TT shall establish its own order of proceedings."

Missing from the legislative intent are, for example, conflict of interest rules. Thus even the chairman and president of MATAV, a future competitor in acquiring concession rights, could become the TT chairman. Although in the drafting stages of the legislative proposal the idea that parliament dispose over the TT chair, based on the British example, had been mentioned, it had been rejected in the end during the interministerial reconciliation of the proposal.

The idea of an organization working alongside the government to provide comments did not make sense, according to a substantive amendment introduced during general parliamentary debate concluded last week. According to the joint proposal introduced by Laszlo Pal (MSZP [Hungarian Socialist Party]), Lajos

Kosa (FIDESZ [Federation of Young Democrats]), Kalman Katona (MDF [Hungarian Democratic Forum]) and Bela Nemeth (FKgP [Independent Smallholders Party]) there was no need for such an organization unless it exercised authority and had functions to perform. The proposal recommends the establishment of a telecommunications fund instead of the TT. This fund would sustain itself from concession fees, state or private contributions, privatization revenues related to telecommunications, and fines. According to the legislative intent supporting the proposed amendment, economically backward areas could be supported through this fund and the flow of these not insignificant amounts of money could thus be controlled. In addition, the fund could also guarantee loans taken out to finance the development of the telecommunications network.

It is noteworthy that originally the ministry having jurisdiction had also been thinking in terms of establishing a fund with similar functions, but the idea had been rejected in the course of the interministerial reconciliation of the legislative proposal presumably in response to pressure exercised by the Finance Ministry. The Finance Ministry argued that a fund like this could serve as a vehicle for the regrouping of moneys in circumvention of the state budget, thus also reducing the latitude of the Finance Ministry at a time when it is forced to fill gaping holes in the budget. In given cases funds could be provided this way to support less developed regions, e.g., by reinvesting concession fees.

Openness could serve as a check on the appropriate functioning of the bilevel legislative proposal establishing conditions for telecommunications, according to the ministry's spokesman. In drafting ministerial decrees resolving special problems not provided for by law (e.g., the adoption of international standards by Hungary), the ministry could obtain assistance from a Telecommunications Interest Reconciliation Forum, to be established later if the interested parties took advantage of this opportunity. Based on rights established in the legislative proposal, however, it would not be surprising if participants in the telecommunications battle did not see much fantasy in this opportunity provided for interest groups.

The legislative proposal has this to say about the rather limited scope of authority of the above-mentioned forum: "Comments shall be sought from consumer, entrepreneur, and local government interest groups, and the opportunity to comment must be provided to the affected parties." The framers of the proposal believe that if the law were to require concurrence by the forum, or if the forum could veto e.g., the setting of telecommunications rates, no decision could ever be made by the forum due to an endless flow of comments trying to enforce special interests.

Professionals believe that the opportunity for strong interest groups rallying around the competent ministry to interpret the substance of the overly general provisions of the legislative proposal according to their own

liking is not the only matter that raises concern. Competition neutrality is also threatened by a proposed provision that would permit MATAV to operate without concessions for two years beginning on the effective date of the law. This would enable the state-owned enterprise supported by several international financial organizations to acquire an advantage as a result of its own technological development, one that could hardly be matched by others.

The fact that the law had not been enacted last spring, as discussed earlier, resulted in a rather significant blood-letting by firms that envision business opportunities in telecommunications even without MATAV's participation, such as Patotacom Corporation, the joint venture established by Instrumentation Technology and the local government of the 15th District of Budapest. Based on the competent parliamentary committee's decision, the legislative proposal is not slated to be presented to the

plenary session before parliament's summer recess. Telephone companies throughout the country experience rather grave difficulties in complying with telephone installation schedules promised to their subscribers (HVG 11 April 1992) and, in retrospect, prove to be rather risky undertakings due to the additional delay in legislation.

Entrepreneurs expect the new law to clearly define the way in which local telephone systems are going to be connected to the nationwide basic network. Based on the legislative proposal, MATAV, still enjoying a temporary monopoly, could refuse to connect local telephone systems to the basic network only if connecting these systems "is not feasible based on technical criteria established by the minister." According to the ministry that submitted the legislative proposal, these criteria provide standard parameters based on international agreements. No one is able to predict, of course, how the TT is going to view these parameters.



### **Solidarity Program, Goals After 4th Congress**

92EP0577B Warsaw TYGODNIK MALOPOLSKA  
in Polish No 28, 5 Jul 92 pp 1, 5

[Article by Barbara Niemiec, chairman of Malopolska Region Solidarity: "Solidarity the Same One, but Not the Same"]

[Text] The title probably reflects rather accurately what Solidarity wants to be in the light of the platform it has approved, because the platform content expressed way back in 1980 in the Gdansk Agreement is obvious in the platform resolution. It is also easy to follow the way Solidarity desires to implement these fundamental values under conditions that are somewhat different today from those that prevailed more than 12 years ago.

The "Platform Resolution" of the Fourth National Congress of Solidarity Delegates is a large document. There will still be time for a detailed discussion of it. Let us just say that it is a very specific document with a clear, explicit explanation of Solidarity's position on a very large number of matters. It runs the gamut of problems from daily workplace issues to matters concerning our society in the distant future. It is simply impossible to present the whole extent of Solidarity's platform in a single, cohesive article. Let us therefore discuss only the basic issues.

So, then, let us discuss the sort of Solidarity that emerges from its platform declaration.

#### **Solidarity and the State**

Solidarity appreciates its role in the country, but it does not overrate it, as many of its adversaries charge. Solidarity wants to be a real social partner in the life of our country. It wants to be a partner both for employers and for the country's leadership. Let us emphasize: Partner, not competitor or outright enemy.

The idea of struggle, as it often comes up in the various statements of union activists, is foreign to Solidarity. That is because Solidarity does not want to fight or do battle with employers, officials, and so on, because it does not share the conviction that this is a "natural" attitude for every trade union. On the contrary, it wants to be a partner in serving the common good of us all, that is, the work place and also the nation we have in common, the natural environment, and so on. It wants to be a partner in talks between employer and employee and in relations between the citizen and the state. And it expects the same in return. It demands it.

#### **Against "Class Struggle"**

Solidarity is therefore opposed to any sort of struggle between classes or social groups arising out of "the nature of things." It is therefore against Marxist doctrine, which assumes an incessant natural conflict between worker and owner. We hardly need to debate the issue that Solidarity is a long way from Marxism, but we should mention this fact, because it is for those very

reasons that it is also against extreme concepts of liberalism, which assumes that the same sort of conflict of interests must exist, only on the other side, on that of the employer. From Solidarity's point of view, Marxism and extreme liberalism differ from one another only in their object and mirror image. That is, they are basically identical.

In rejecting the notion that the major barrier standing in the way of progress is a conflict of interests, Solidarity is at the point where it wants to support actions that reject any supposed conflict between social policy and economic policy. Solidarity is convinced that both areas, policy and action, whether that of government leaders or the self-government or the employers, should supplement one another and create a harmonious whole. It is therefore opposed to concepts that plan to bring economic progress at the cost of savings in social policy. Solidarity does not agree with the idea of a "caretaker state" that neglects the needs of the country's economic development, doing everything for the citizen. We are all too familiar with this model in its most extreme form.

These few remarks about Solidarity clearly indicate its basic characteristic: It is moderate, or, as the politicians are fond of saying, it is "centrist" in matters of policy concerning both the state and various economic parties and social organizations, and steadfastly, irrevocably "centrist" in matters concerning the civil rights of the employee and citizen.

#### **Respect for Human Dignity**

Alongside the rights that every union has written on its banner: the right to work, job security, and decent wages, we should emphasize one more, each person's right to comprehensive development. That fundamental right demands that Solidarity defend civil and union rights, and respect for the importance and dignity of every human being.

That right is also a premise for which Solidarity does not limit its field of vision to "a wealthy pocketbook" and "a full platter" on the table. It also demands consideration for health, education, the right to free access to reliable information, and so on. For that reason, the "Platform Resolution" talks over and over again about the need to develop people and teach them how to live and work under the completely new social and economic conditions. That is the reason Solidarity's leaders have been charged with creating a system to train and inform Solidarity members in the most effective way. The "Platform Resolution" talks about this need at almost every step, both when it discusses the right to work and the problems of unemployment and when it describes Solidarity's vision of economic policy.

Concern for each person's comprehensive development causes Solidarity to pay particular attention to young people. The reason is not simply that as with any social organization, Solidarity is bound to become old and die, unless it has an influx of young people. It is a question of something more important: It is into the hands of youth

that we will be turning over the leadership of the state, its economy, and the fate of society in a dozen and some years or a few decades.

### Needs of the Family

Solidarity does not see the person it wants to serve as "a lonely island," "a social unit," or an atom isolated from society. On the contrary, in respecting the individual rights of the human person, Solidarity sees clearly that each of us is a person living in some sort of society, in some sort of environment with other people, with fellow workers in the work place, in the society of the neighborhood or social grouping of the house, in the family. Solidarity therefore recognizes that assistance and service to neighbor should take into account the requirements and needs of the social grouping in which the person lives.

That is the reason Solidarity attaches such significance to family issues. It does not think that problems such as the minimum wage, unemployment benefits, and similar assistance can be applied to individual "statistical" citizens. They must take the family situation of the employee and citizen into account.

Solidarity thinks, therefore, that union activity and national social policy should be based on the family, not an individual family member. Solidarity has always talked about this matter. It is a pity that there has been and still is so little understanding of that position in bureaucratized structures of the state leadership, self-government bodies, and the work place.

### Social Significance of Reform

The right to development and progress is very important to Solidarity, which unequivocally backs economic reform leading to the creation of a state with a more productive and rational economy. The word "capitalism," which is used for such a model, is not foreign, odious, or inimical to Solidarity. On the contrary. Solidarity thinks that system can set initiative free and create beneficial opportunities for the development of all.

There is just one condition: That the economic reform, which by the nature of things is concentrated in the structural changes of the nation's economy, not lose sight of the social significance of the changes introduced. In firmly backing the economic reforms, therefore, Solidarity is opposed to introducing "model solutions" that are "correct" from the point of view of economic forces, but neglect or overlook the social, human significance of those reforms.

That means that Solidarity does not agree to those free market reforms that push the weaker strata of society to the margin of life and entirely deprive them of the opportunity to participate in economic and social life.

Solidarity also thinks that the economic reforms, although guided by economic rules, should at the outset

give each person an equal chance to develop, regardless of how wealthy the citizen is or what his "impact" is on the free market.

That does not mean that Solidarity is demanding some sort of "free market equalizer." On the contrary, Solidarity realizes that skill in taking advantage of opportunities, personal capabilities, and predispositions sometimes create far-reaching differences in citizens' standards of living, but the premise of those differences in the future must not be today's unjust social stratification inherited from the previous system. To agree that today's panjandrums will be richer and the poor will be poorer would be nothing other than to put a stamp of approval on the heritage of the past, and Solidarity will never stand for that.

A comment in closing, one that I must share with the readers.

The political elites like to talk about how Solidarity has already won its great role and should now step aside and make way for others. And, actually, that is what Solidarity has done. After all, Solidarity is still the only group that has the right to call itself as a considerable social force. It is not a question of "connections" among the powers that be or shouts from demonstrators in the street. It is the "Platform Resolution" that gives it that right, because it would be difficult to find among the millions of words that the political parties and the governing elite have printed and spoken any comparable platform document that speaks to issues that are important both to Poland and to Poles.

### Growth of Private Sector, Changes Described

90EP0560C Warsaw RZECZPOSPOLITA  
(ECONOMY AND LAW supplement) in Polish  
24 Jun 92 p 1

[Article by E.Z. and J.K.B.: "The Private Sector Is Growing, Though the Wind Is Blowing in Its Eyes"]

[Text] To the dismay of many authoritative commentators about the crisis and recession in the Polish economy, the private sector in Poland shows that there is practically no economic crisis. That sector now includes more than one-quarter of Poland's industrial production, three-quarters of construction, and nearly all of retail sales, and it has shown a constant growth trend. If additionally one adds 15 to 20 percent to the private sector, which is the estimated size of the informal economy not included in any statistics, it turns out that Poland is developing not at all badly, with the exception obviously of large state enterprises, which frequently wait passively for what fate brings them.

Near the end of the first quarter of 1992, production and services were being provided by 1.4 million businesses under the control of physical persons, 0.7 percent more than at the end of 1991. The increase, however, includes only businesses in the nonmaterial service sector (by 17.6 percent), and those providing restaurant services

(by 4.8 percent). There were slight declines in the number of industrial enterprises (by 0.1 percent), in construction and assembly (by 0.9 percent), transportation (by 0.6 percent), and even in retail sales (by 1.7 percent). The number of private joint ventures increased by 29 percent, and domestic partnerships increased by nearly 40 percent.

In comparison with the first quarter of 1991, production by private industry increased by 36 percent, and its percentage of total industrial production (in current

prices) increased to 27 percent. The quantity of construction and assembly work performed by private firms was 38 percent greater than in 1991, and their percentage of total construction and assembly work was 73 percent. The share of the private sector in transportation services was about 32 percent of the total. Those working in the private sector (excluding farmers on individual farms) constituted about 40 percent of the total number of individuals employed in the national economy outside of agriculture.

The process of forming new private partnerships under the commercial code is shown in the tables below.

**Number of Enterprises**

Date	Total	Industry	Construction	Retail Trade	Other Branches
31 Mar 91	34,642	7,168	6,053	10,448	6,272
31 Dec 91	45,070	8,676	8,749	15,942	5,381
31 Mar 92	48,404	9,236	9,356	17,206	5,545

**Rate of Growth  
(previous period = 100)**

Date	Total	Industry	Construction	Retail Trade	Other Branches
31 Mar 91	117	112	117	125	110
31 Dec 91	109	107	109	110	100
31 Mar 92	107	107	107	108	103

The rate of formation of new enterprises is weakening, chiefly in construction, while the indexes in industry remain stable. On the basis of the above data, one may think that the development barriers manifested by the private sector (low demand, costly loans and space, inefficient administrative services, a lack of adequate promotion) have not been limited.

There was, in turn, a minimal increase in the number of businesses run by physical persons, a result of the expansion of the nonmaterial and restaurant service sector. In the remaining branches, regression or stagnation appears.

The changes in the quantity and structure of private production were accompanied by changes in the structure and quantity of employment. During the last three months, employment in the public sector declined by 200,000 individuals, 2.9 percent, and employment in the private sector outside of agriculture increased by the same number, 5.7 percent. One might think that the development of the private sector is beginning to absorb the labor removed from the public sector. In all, the percentage of those working in the private sector outside of private agriculture increased to 39.9 percent in the first quarter of 1992, up from 37.9 percent at the end of 1991. In already existing private firms, the increase was from 25.6 percent to 27.9 percent.

According to a Polish-American report prepared at the request of the National Chamber of Commerce, the Gdansk Institute for Study of the Market Economy, and

the Center for International Private Enterprise, the majority of private Polish enterprises lack money. From the beginning they had little; 77 percent of business capital came from Polish savings, and 20 percent from loans from family and friends. The authors of the report proposed making additional capital available to private entrepreneurs, increasing resources for loans for investment and working capital, and limiting subsidies for state enterprises; keeping interests rate on loans no higher than 20 percent; forming a Fund To Insure Private Loans; seeking further resources from the World Bank and from the International Finance Cooperation; and accelerating privatization of the Polish economy by putting state enterprises up for sale through auctions (for domestic and foreign investors in some unspecified combination).

### **Configuration of Cooperative Banks To Change**

92EP0575A Warsaw RYNKI ZAGRANICZNE in Polish No 79, 2 Jul 92 p 8

[Article by Urszula Bajorek: "Cooperative Banks at a Crossroads"]

[Text] There are still approximately 1660 of them throughout the country. They were established by local communities to make loans to agriculture and the skilled crafts, i.e., what was once an unsocialized sector.

Most of them have a long history, going back to the immediate postwar years; some, like Gdansk Bank, even

go back to the beginning of the century (founded in 1902). When the Food Industry Bank was formed in 1975, it took over not only the legacy of the Agricultural Bank and the Central Union of Savings & Loans Cooperatives, but also became the main bank for all cooperative banks, both agricultural and crafts.

### In the Cooperative Circles

That compulsory affiliation, particularly at a time when economic transformations were being made, weighed heavily on many institutions, mainly on the crafts banks which had little in common with agriculture. Which is why, when in 1990, a change in the cooperative law did away with the compulsory affiliation with the central bank, many banks broke away from the Food Industry Bank. That group was made up primarily of the crafts banks which, as a rule, were larger than the agricultural banks. They established themselves as independent units, functioning autonomously, but still maintaining the legal form of a cooperative. They have premises, infrastructure and experience. Their balance sheets are not at all bad and they have a relatively low percentage of overdue loans.

But despite constantly changing operating conditions, the crafts banks cannot in a simple way, following the example of other institutions, transform themselves into stock companies. The banking and cooperative law does not allow such a maneuver. It is too bad, because that would make it easier for those institutions to obtain new stockholders, and also to accumulate a larger amount of their own capital. That, in turn, would make it possible to obtain permission to engage in foreign currency transactions.

At this year's Second National Union of Cooperative Banks Convention, as well as at the Cooperative Banks Congress, two subjects dominated: the matter of credits for agriculture and Food Industry Bank credits. The latter, meanwhile, sent its restructuring program to all of the cooperative banks that were affiliated with it. About 80 percent of the recipients responded favorably.

Both meetings, however, produced no solution for the crafts banks, which had broken away from the Food Industry Bank. Meanwhile, the National Bank of Poland is "pressuring" for some kind of decision. The representatives of the crafts banks discussed their future in May, at a separate meeting.

### Warsaw Sees Two Solutions

The Crafts Cooperative Bank of the Polish Republic was established in 1945 and did not receive its current name, Crafts Cooperative Bank in Warsaw, until 1957. From the beginning it was connected only with giving credit to the skilled crafts industries. Today it has approximately 13,000 customers for whom it tries to provide the fullest possible service, always adapted to the changes taking place in the economy.

The skilled and experienced staff not only performs bank services efficiently, it also gives advice on the preparation of business plans, assembling and filling out documents, etc. Its basic activity, of course, is giving credit. Those credits are given preference, which contributes to the restructuring of the economy.

The structure of the loans granted has changed recently. The number of credits drawn for commercial operations has grown—for investment and construction. The basic percent rate in that bank is 47 percent, however the interest as well as the size of the credit depends on the type of venture, the degree of risk.

In addition to the traditional fields, to more fully satisfy the needs of the customers, many new actions have been taken. The example of the Warsaw crafts bank is rather typical, and the goals outlined require drastic moves. That bank sees two ways out: First, the creation of a consortium of crafts banks servicing small enterprises on the principle of a branch bank. In that way, the partners would accumulate a joint initial capital exceeding 130 billion zlotys, which could already form the basis for obtaining permission and access to Western lines of credit.

The Warsaw bank's second concept envisages the liquidation of a cooperative and its "reestablishment" in the form of a stock company, i.e., in a form more attractive to possible stockholders on the outside, ready to join the company. However, that solution is definitely more complicated, unless changes were to be made in the banking or cooperative laws, and that seems to be out of the question. That is why the majority opinion leans towards the first concept.

Although at the time of the mentioned meeting no decision was made as to the specific form to accept, talks are still underway between the banks on the subject of a consolidation formula. The main obstacle is the fear of the loss of autonomy.

But if they do not soon decide on some kind of step, they may lose much more due to the constantly growing competition. Newly established and constantly appearing bank institutions have, almost from the beginning of their operations, more powers than the crafts banks, despite the fact that they do not have their experience. Thus, there is plenty to talk about. May a way out of this difficult situation be found as quickly as possible.

### Mining Industry Needs Subsidies, Restructuring

92EP0551A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW SUPPLEMENT) in Polish 19 Jun 92 p III

[Article by Barbara Cieszevska: "What Next for Polish Mining? Losses Go Into Trillions"]

[Text] Financial analyses indicate that the Polish mining industry turned a loss on the order of 3.6 trillion zlotys [Z] last year. Initially, the Government of Poland stated

to the World Bank that it would subsidize mines until the end of 1992. In view of the dramatic situation with the budget, the government resolved to discontinue subsidies as early as 1 April of this year.

In the first four months of this year, the mining industry registered losses exceeding Z1 trillion; in net terms, they come to Z2 trillion. Financial projections suggest that the mines will register "a high negative financial result" in 1992, as we can read in a report by the State Coal Agency. In gross terms, it is assumed to come to Z8.8 trillion. It is expected that 48 mines will have a loss, and 16 will generate profits.

The agency sees the reasons for this state of affairs in "restricted opportunities for the growth of sale prices for coal, a higher rate of growth of costs than that of sale prices, and the discontinuation of coal subsidization since April of this year."

The need to effect changes in Polish mining, which in the trade is called the restructuring of the mining industry, is becoming obvious. Toward the end of May, the government approved a concept of such changes. They were discussed on Wednesday at a field meeting of the Sejm Subcommittee on Mining and Energy in Katowice. The deputies considered opportunities for reducing the cost of that transformation to a minimum. Foundations of an agreement signed between the mining industry and the power industry were also discussed. It concerns a transfer of Z1.5 trillion from the Polish Power Lines to mines, which is associated with contracts for the delivery of coal until the end of this year and early financing for them.

This operation is supposed to help the mining industry to survive the most difficult period of summer. However, it is already known that, in view of a tremendous surplus of coal, mines will be faced with dramatic decisions on sending people away on vacations, definitely including furloughs, and restricting the level of output, often drastically.

The long-term reform of mining calls for mines becoming competitive, not only with regard to coal, which we could import, but also with regard to other energy forms, such as oil and gas, despite the fact that, as forecasts project, coal will remain the basic energy form in the country until the year 2010. The mines must be modernized from the point of view of equipment, technology, and organization. A holding structure is envisaged for them, that is to say, they will be grouped into several, perhaps five or six, groups. Within the groups, each mine would be an independent company of the Treasury (for now, because in the future, the emission of stock is envisaged). Nonetheless, the mines would be able to jointly undertake projects calling for greater financial outlays, or conduct research, or ensure the improvement of coal quality.

It is already known that, as the head of the Ministry of Industry Andrzej Lipko put it, 18 mines will never be profitable; that includes six mines that are already being liquidated. At present, the issue is what to do about the 12 mines that hold no promise. Statements by the directors of mines who were present at the meeting of the commission suggested that good mines have neither the desire nor the intention to help the weak ones. Therefore, by all signs, the government will have still more difficult decisions to make, which are all the more difficult because liquidation is a costly process.

It is estimated that the liquidation of a single mine costs between Z1 and Z1.5 trillion.

As far as the restructuring of profitable mines is concerned, we have been promised a loan of \$500 million from the World Bank. The government applied for the loan after adopting the restructuring program. Economic projections suggest that even if economic growth at a rate of a few percent occurs, it should not at all be accompanied with an increase in demand for energy. On the contrary, given the worldwide trend toward a reduction in energy intensiveness, a drop in demand on the order of 20 to 30 percent has been observed. All of this proves that the mining industry is facing the need for radical changes which have actually been awaited for a long time.

### President Snegur Criticized for 'Hypocrisy'

AU2707142792 Bucharest COTIDIANUL in Romanian  
21 Jul 92 p 2

[Article by Anton Raftopol: "Mr. Snegur From Words to Deeds"]

[Text] The 14 July 1992 edition of the newspaper MOLDOVA SUVERANA, the official daily of the Chisinau parliament, described a few flagrant inconsistencies in the way of thinking of President Mircea Snegur and his subordinates. Two articles published on the front page of that paper illustrate the true dimension of the hypocrisy that emanates from the higher echelons of the current leadership of the Republic of Moldova.

The first article includes the text of the speech delivered by President Snegur at the CSCE Helsinki meeting on 9 July 1992. Displaying a friendly manner toward the international forum that he was addressing, Snegur had nothing but praise for the involvement of the CSCE in solving various regional conflicts: "Taking into consideration the sad and tragic realities that the newly independent states are constantly confronting, we hail the institutionalization of the CSCE, as well as the establishment of this new mechanism, which is much more effective and capable of asserting itself and reacting against the emergence of new conflicts." Referring directly to the Russian 14th Army, the president added: "We are convinced that the CSCE should assert itself more forcefully in connection with problems that have been brought about by the presence of foreign troops on the territory of a sovereign state."

These words of praise are more than false, when one recalls that the Popular Christian Democratic Front of Moldova [FPCD] and the Romanian Parliament already asked the CSCE and other international bodies several weeks ago to participate in solving the conflict on the banks of the River Dniester. In a declaration issued on 7 July 1992, the FPCD condemned the obvious pro-Moscow attitude displayed by the Chisinau government, arguing that Moscow cannot act as a neutral peace-keeping force, because the Russian Federation's 14th Army is a direct participant in the hostilities started by the anticonstitutional authorities in Tiraspol. The question is this: If President Snegur thinks it is appropriate to praise CSCE in Helsinki, would it not have been logical, later, to implement the respective ideas, or, even more, to follow the advice of the FPCD and the Romanian Parliament (the Parliament issued a declaration on 10 July 1992)?

The second article published in MOLDOVA SUVERANA shows that Snegur's high appreciation of the CSCE's capabilities could only have been valid for the duration of his trip to Helsinki. Once back in Chisinau, he returned to his old "fancy," according to which the West should not get involved and peace can be achieved only through direct negotiations with Moscow. Therefore, during a Supreme Security Council meeting

on 11 July 1992, the government criticized the aforementioned FPCD declaration, saying that it was false propaganda, which is hostile to the efforts to find peaceful solutions to the conflict in the eastern regions of the republic. After everything that Snegur had said in Helsinki, it is almost incomprehensible that his government should consider the involvement of the CSCE and other Western organizations in the peace process as hostile.

Who is really guilty of "false propaganda," the FPCD or Snegur?

### Funar Interviewed on Hungarians, Lauds Ceausescu

92BA1226A Bucharest ROMANIAI MAGYAR SZO  
in Hungarian 10 Jul 92 p 1

[Interview with Cluj Mayor Gheorghe Funar by Andras Sugar; place and date not given: "The Odd Lord of Kolozsvár"]

[Excerpt] [Sugar] I would like to understand your inner self, I want to understand you. What transgressions have you, or your family, suffered from the Magyars? Why do you hate the Magyar citizens so much?

[Funar] I do not hate the Magyars at all. I am the elected mayor of all Kolozsvár [Cluj] citizens; 22 percent of whom are of Magyar nationality.

[Sugar] Then, how should one interpret your famous statement that a thousand years have not been enough for the Magyars to become civilized?

[Funar] I will give you just one example so that you can understand it. All you have to do is to study the parliamentary committee's report on the 1989, 1990, and 1991 events in Kovaszna and Hargita counties. You will see unfortunate facts, events that should not have happened in Europe, a thousand years after the arrival of the Huns (sic!), namely, the murdering of people, the piercing of their eyes, the stuffing of their mouths with rats, the placing of coins in the eye sockets, etc. These are manifestations that belong to a period that closed a long, long time ago—a thousand years ago.

[Sugar] But Mr. Funar, does that mean that you believed all the terrible things that were said during the debate on the situation in Hargita and Kovaszna counties? For the authors of the report did not at all deny that the validity of the "testimonies" were not verified!

[Funar] Many of the things were filmed and photographed. I was able to listen to the recountings of the wives and children of the people who were killed. Of course, I put a lot of trust in their words.

[Sugar] You are well aware that there were lynchings in numerous counties during the 1989 revolution. Unfortunately, three or four Securitate agents, both Magyars and Romanians, were lynched in Hargita and Kovaszna counties. In other counties, too, Securitate agents were

lynched. Why do you, then, put special emphasis on Hargita and Kovaszna counties?

[Funar] Because I connected that example with other situations that subsequently emerged and, in a certain context, that made such an association necessary.

[Sugar] Have you heard of the 1944 Szarazajta massacre by the Maniu Guard? Have you heard of the atrocities of Romanian fascists against the Magyars?

[Funar] I have not heard of any of that, and I regret that I have not had the chance to read about such things, although I am very interested in historical relationships.

[Sugar] You said that the Magyars were incapable of becoming civilized. I fail to understand you. We are sitting here in this beautiful building, designed by Ignac Alpar and built by Magyars here in Kolozsvár. We are sitting here in a city whose marvelous architecture originates from Hungarian times, and then you state here, in this city, where a great number of Hungarian scientists and artists have worked, that that nation is incapable of becoming civilized. I cannot understand you.

[Funar] I think that your statement that this building, the city hall, was built only by Magyars is false. This building, just like the other buildings in this city, was built by the citizens of this city, the majority of whom have always been, and still are, Romanian.

[Sugar] Do I hear correctly? Do you really not know that in 1945—not in 1918 but in 1945 (!)—more than 80 percent of the population was Hungarian?

[Funar] Indeed, there were attempts to drive out the Romanian population from the center of the city of Kolozsvár in Napoca county, just as there are still such attempts today. But, according to information that I have, the majority of the population here is Romanian, which is revealed by the statistics kept during the Hungarian occupation.

[Sugar] Unfortunately, Mr. Mayor, our data do not coincide, but let us leave that to scholars and historians. Let us talk about something else. According to the Romanian constitution, the international documents signed by Romania take priority over Romanian laws. The Copenhagen Document, also accepted by Romania at the EBEE [Conference on Security and Cooperation in Europe] second conference on human rights, is in my hand. Section 32/1 of Chapter IV expressly states that national minorities have the right to freely use their native language, both in private and public life. It seems that you wish to deny that.

[Funar] In Romania, all minorities have the unlimited right to use their native languages freely; indeed, the state supports them in various ways so that they can preserve their cultural and ethnic identities.

[Sugar] Even under Ceausescu, the minorities had more liberties than now. What is your opinion of Nicolae Ceausescu?

[Funar] Many things were accomplished and built in Romania during his period. He was a good Romanian. [passage omitted]

#### **Cluj Mayor Funar's Father Reportedly Hungarian** *92BA1225A Budapest UJ MAGYARORSZAG in Hungarian 4 Jul 92 p 3*

[Article by "falo": "Inscription on a Grave"]

[Text] [Photo accompanying article (not reproduced here) shows a gravestone inscribed "Here Lies Funar Gyorgy," in Hungarian.] Let us not misunderstand: It is not Gheorghe Funar; he does not yet lie here. This can also be verified from his writings in the UJ MAGYARORSZAG. It is his father who lies here, namely, in the Házsongárd cemetery. His name was Gyorgy Funar. With an accented "a" and a Hungarian Christian name, as it can be seen. We were not the ones, God forbid, to discover this. We would never do such a thing, for we could be accused of some kind of nationalism. We found the telltale picture in the first June issue of the weekly paper, NU, written in Romanian, and we could hardly believe our eyes. Surely dear old dad did not mind mixed marriages—if that is in question at all. It seems that, despite the Romanian blood in his veins, dad considered himself a Magyar. And that he was. A Magyar is one who professes to be a Magyar. Funar junior, Kolozsvár's mayor, is not a Magyar; he is a Magyar gobbler. He would, no doubt, if dad were still alive, gobble him up, too. He would have to do that, for his resume is full of black spots. Every day, he must prove that he is a staunch Romanian, and the only way that he can prove this is by going against the Magyars. At least that is what he thinks. What a splendid Romanian he could be, however, if that would not be at someone else's expense. But Domnu Funar does not understand that, for he was raised on the ideals of the great Leader [Conducator] and on those of Avram Iancu. It makes no difference.

#### **Demand for Hungarian Schools in Transylvania** *92BA1225B Bucharest ROMANIAI MAGYAR SZO in Hungarian 9 Jul 92 p 1*

["Statement" issued by the national presidium of the Hungarian Democratic Union of Romania, the Bolyai Society, and the Union of Hungarian Teachers of Romania]

[Text] On 11 June 1992, the RMDSZ [Hungarian Democratic Union of Romania—in Romanian, UDMR] organized a national protest movement against the legislative practices that obstruct the process of democratization and make it impossible for the minorities to exercise their fundamental human rights or preserve their self-identity.

Amid the constant extreme manifestations that are delaying the establishment of a democratic constitutional state, the direct cause that elicited the protest was

that the Educational Committee of the House of Representatives (despite the contrary votes of RMDSZ representatives) approved the draft bill on education.

Our protest movement was a manifestation of the common will of forces committed to democracy, for tens of thousands of people participated in the meetings held on public squares, in churches, schools, and public buildings in Transylvania's regions inhabited by Magyars. Bishops and high officials of our historic churches, individual representatives of the Romanian opposition (Democratic Convention, Christian Democratic National Peasant Party, Civil Union, and Civil Union Party spokesmen), key personalities of minority public life, educators, and youth raised their voice against the antidemocratic and unlawful education bill.

The creation in Romania of a decentralized and self-organizing civil society based on self-government is obstructed by the preservation of numerous dictatorial structures and excessively centralizing statutes. Despite the recommendations of the World Bank, which also finances the modernization of education, the education bill was conceived in a statist spirit, hindering the democratization of Romania's entire society.

By subjecting the bill to public debate, our protest movement served fundamental national interests. In the spirit of opposing the practice of centralization, two trade unions of educators (the FSII and the FSIPR [expansions unknown]), which assume the responsibility for creating a modern education law, expressed their solidarity with our movement. In the interest of creating a modern educational system that is organized in accordance with European norms, the Federation of Teachers initiated the establishment of the National Convention for fighting for educational reform.

The national communist forces that continue to dominate Romanian society think that they can survive only through artificially keeping the Hungarian question on the front burner, and they use all the influence they have to force the legislation of laws that sanction discriminative and assimilative endeavors, trying to wither minority communal structures and education that are based on centuries-old traditions. The education bill was born in this spirit, contradicting even the ethnocentric Constitution and disregarding international agreements that define the European norms for minority existence.

The RMDSZ program demands an autonomous educational system in the native language that is based, in accordance with the European norms for minority existence, on self-government.

The House of Representative's bill defines only two kinds of education (public and private), does not recognize the rights of the church school system, and limits the activities of religious educational institutions to the training of religious specialists.

In accordance with the RMDSZ's educational bill, we demand in connection with church schools that:

- The historical churches have the right to operate, in addition to teacher training church schools, schools that offer general education and professional training at all levels;
- Teaching be carried out in the language of the given denomination (in addition, of course, to thoroughly teaching the Romanian language);
- Teachers be appointed by church boards of education;
- The curricula of the schools offering general education and professional training be approved by the supervising ministry;
- The state pay the salaries of the teaching and administrative staff of the church schools;
- The diplomas granted by church schools be recognized as equal to those granted by the state;
- The state contribute to the maintenance of the dormitories and hostels of the religious educational institutions.

The return of church assets is a prerequisite for building a church school network. We demand the enactment of a cultural law that would provide for the return of church assets.

We call upon public opinion, both at home and abroad, to make every effort, in the spirit of assuring fundamental human rights, to support the proposals of the RMDSZ's bill of education. Otherwise, we will witness ethnocide in late-20th-century Europe because depriving a community of its own culture in order to have it assimilated into another community is tantamount to ethnic holocaust.

The international community cannot look on with folded arms!

We demand that we be allowed to establish for all levels independent state, church, and private schools in all the areas inhabited by the Magyar community—which amounts to more than 2 million taxpayers!

In the meantime, until the Ministry of Minorities is established, the supervision of native-language educational institutions should be carried out, under the direction of a state secretary selected from the Magyar community, by an independent State Secretariat, set up at the supervising ministry with its own financial budget. This office of highest authority should supervise the Magyar school network through intercounty school boards.

Applicants should be allowed to take the entrance examinations in the language of their choice.

The teaching of national history should be included in the present Hungarian-language classes in high schools and girls' boarding schools and, in the interest of



teaching Romanian history and geography more effectively, we demand that these subjects be taught in the native language.

The supervising ministry should provide the minority schools with modern native-language textbooks and educational material.

The bill does not provide for any of this! The clause that Romanian shall be the only language used in professional training, which is part of the scheme to eradicate the identity of our ethnic group, may result in dire consequences. Despite the existing demand to the contrary, it states that no basic and midlevel training and no higher professional training may be carried out in the native language. We may not have our own trade schools, and we may not found our own university!

At the college level in our native language, we may only train the next generation of teachers and specialists of selected cultural fields (and that only in departments and not in independent institutions). The purpose of the bill is to deprive us of our intelligentsia and of our right to our independent culture.

This provision of the bill is also unconstitutional because, in Section 6, paragraph 2, it guarantees equal opportunity and prohibits discrimination in principle. How can these principles be compared with Section 26, paragraphs 1 and 2 of the Proclamation of Fundamental Human Rights?

There is an entire series of warning examples for us regarding what happens when such a law comes into the hands of central and local officials with a fascistoid frame of mind. Let it suffice to mention only the measures of Kolozsvár's mayor whereby, in the absence of legal guarantees, he is depriving our minority of its fundamental human rights!

A tolerant East Europe that respects identities is in the interest of the entire European community! The education bill that is in the making is a touchstone for that.

### **Firing of Hungarian Principal in Cluj Described**

92BA1195A Bucharest ROMANIAI MAGYAR SZO  
in Hungarian 30 Jun 92 p 3

[Article by Ferenc Csomafay, including interview with Kelemen Attila Balint, the dismissed principal of Samuel Brassai High School, Gyorgy Gaal, a teacher, and Elek Tokes, school inspector for a special subject; place and date not given: "Another Unfortunate Step Along the Road of Inequities in Cluj"]

[Text] Victor Dragoi, the county's chief school inspector, called a meeting of Samuel Brassai High School's board, for 23 June 1992. At the meeting, he read the county school inspectorate's decision to remove Kelemen Attila Balint from his post as principal and to reduce his salary by 5 percent for a period of three months; Georgeta

Tarmure, the deputy principal, merely received a reprimand. In accordance with the school inspectorate's decision, Deputy Principal Gabor Simon has been appointed acting principal; and Rozalia Peter has been appointed acting deputy principal. The chief school inspector disregarded every objection the school board raised.

After the meeting of the school board, the chief school inspector held an impromptu press conference. Despite several definite requests, he refused to read the school inspectorate's charges. His answers were obscure and confined to generalities. The examples he cited were so minor that they can be encountered practically at every school (that the minutes of meetings were inaccurate, there had been laxity in putting into writing the duties in conjunction with specific assignments, etc.).

The chief school inspector acknowledged that Kelemen Attila Balint had strived to resolve the school's problems, but censured him for relinquishing two classrooms for the use of the Unitarian Church, the building's owner. There was no mention of the fact that the House of Teachers, the teachers' trade union, occupied several rooms in the building, but nobody has been using them for months. On this occasion the chief school inspector dwelt merely on how much harm these two classrooms were causing the students, mainly the Romanian ones, and what serious tensions this was creating. He was unable to identify the statutory provisions on the basis of which the principal of Samuel Brassai High School has been removed from office. It turned out that the school board had refused to concur with the decision, and thus it is solely the county school inspectorate's decision.

The chief school inspector also acknowledged that only some of the charges raised by Mayor Funar had been found valid, while the rest had been dismissed, but he refused to give any details. He likewise refused to show the journalists the bill of particulars introduced at the school board's meeting, but promised to send them copies the following day. However, so far, nobody has received a copy. Even Kelemen Attila Balint's definite request to be allowed to prepare a xerox copy of the bill of particulars was denied.

When I inquired about the cause of the chief school inspector's agitation and nervousness, he replied: "For every one of us, as teachers and individuals, it is undeniably an emotional burden to participate in unusual events. Aside from that, I am more sensitive by nature."

The chief school inspector contradicted the contents of the paid advertisement that had appeared in ADEVARUL DE CLUJ. He made clear that students who wanted Hungarian to be their language of instruction had to pass an entrance examination—in the Romanian language and literature, the Hungarian language and literature, and also mathematics—according to the method approved by the ministry. He refused to explain why the school inspectorate had misinformed the readers. Fudging obscure statements and accusations characterized the entire press conference.

After these events, I interviewed Kelemen Attila Balint:

[Balint] I contested all the charges brought against me, and introduced pertinent original documents to refute them. My arguments were disregarded. New charges that had not been included in either the complaint or the mayor's accusations also were brought up at the school board's meeting.

[Csomafay] What, for instance?

[Balint] There were certain directives from the educational administration about transferring certain duties to the deputy principal. By law, the principal defines the deputy principal's scope of authority. The school inspectorate reviewed, and disagreed with, the definition of the deputy principal's scope of authority. If the principal of an institution is responsible for everything, then it is obvious that he defines his subordinates' scope of authority and assigns tasks to those individuals whom he can trust. The Romanian deputy principal was responsible for the entire evening school, and that is clearly stated in her work schedule and job description of her duties. Another charge concerns the computers the Bolyai Society donated to our school. Only one of the computers is usable. The deed states that the purpose of the gift is to aid the further training and studies of ethnic Hungarian students. According to the investigating committee, I have violated the state constitution by accepting the gift. I wish to note that the curriculum of the evening school, attended by Romanian students, does not contain any course requiring the use of a computer.

[Csomafay] What will be your next step?

[Balint] The faculty elected me and stood behind me for 2.5 years. We worked together in a spirit of mutual trust. That collective will decide what our next step should be. All I can say is that this whole affair is not directed solely against me.

[Gaal] He is the one we elected at the time. None of those now appointed to replace him is willing to accept the new assignment. That is what they have been saying up to now. Consequently, we continue to regard Kelemen Attila Balint as our principal. Despite their denials, the school inspectorate's representatives have essentially carried out the mayor's orders. This is yet another unfortunate step taken by the mayor of Kolozsvár.

[Tokes] The school inspectorate appointed an investigating committee, the members of which seemed objective in conducting their investigation at the school. Our feeling was that they would not be able to fire Kelemen Attila Balint, because they failed to uncover any irregularity that would warrant dismissal or disciplinary action. In private conversations, my school-inspector colleagues expressed their opinion that few schools in the county were as orderly as Samuel Brassai High School in Kolozsvár. I, too, am able to confirm that. After all, for the past three years I have been a school inspector for a special subject. I have inspected many schools and many

principals, and am familiar with the schools of this county. I also know that Kelemen Attila Balint has managed this collective conscientiously. The principal's office and accounting department are in exemplary order.

### Nastase on Interest in Central Asian Republics

92P20360A Bucharest *TINERETUL LIBER*  
in Romanian 24 Jul 92 p 1, 3

[Interview with Foreign Affairs Minister Adrian Nastase by Viorel Patrichi; place and date not given: "Central Asia Is a Very Interesting Market for Our Products"]

[Text] [Patrichi] Mr. Minister, for the more skeptical readers of *TINERETUL LIBER*, I am asking you to explain why the Central Asian countries have been the target of attention for Romanian diplomacy.

[Nastase] In foreign policy we are trying to keep away from "either/or." We are trying to use cumulative formulas more frequently and, from this point of view, I do not think that we should exclude ourselves, a priori, from any important areas of the world. As far as the republics in Central Asia are concerned, the arguments are known. It is a question of a population of 50 million, which represents one-fifth of the population of the former Soviet Union and an area of approximately 4 million square kilometers, with great mineral resources and an important industrial role. Therefore, there is a special potential for expansion. Also, I believe that we should evaluate the situation before making any decisions. Therefore, our first action is one of evaluation. We wanted to learn (since we did not know this) the importance of these republics from the political and economic points of view, their potential and vulnerability, the difficulties they face, the alliances they have proposed and have made, and the ties they have formed outside the former Soviet Union. Also, we wanted to get to know the policymakers in these countries.

[Patrichi] In light of the ideological differences that still exist in these republics (we are referring to the oscillation between communism and Islamic fundamentalism), do you think that the reticence in establishing diplomatic relations with Central Asia might be justified?

[Nastase] If these elements do not present any obstacles for the United States, France, or Turkey, I do not think that we should worry. We should have a very pragmatic policy, and we must understand that the dominant element in these countries is the national element, not the ideological one.

Let us look at the situation with a transitory formula that finds solutions gradually. Then, we must not propose to change the world to suit us, from the political and ideological point of view. We do not have the resources or the time and it would not be normal. What we can do is to discover zones of political and economic complementarity. In this regard, the results of this mission were extremely encouraging.

[Patrichi] As a result of this mission, Romania is one of the first explorers of this area in the post-Soviet period. What has been the reaction in Moscow to your trip and also to the involvement of Iran, Turkey, and the United States in the former colonies of the Soviet Union?

[Nastase] Our visit attracted attention in many capitals, and this was normal, because Central Asia is included in various spheres of influence. Certainly, there has been open and careful examination of our movements in the area. I am absolutely sure of this. I believe that our results have been very good. I am referring to the economic contracts, which you already know, and to some economic agreements that were made concrete in the contracts. I believe that the fact that we already have well-established relations with the countries which, in one way or another, are concerned with Central Asia has facilitated the natural development of the visit. I am referring to Turkey, Iran, India, and China, countries with which, in recent months, we have had exchanges of delegations. Therefore, I believe that our visit was analyzed within normal parameters, without creating any special tensions.

[Patrichi] You were accompanied in this "Romanian campaign" by a powerful unit of newsmen representing, as a policy option, the most varied publications in Romania. I recall that providing correct information to the press is one of your concerns. Both the newsmen and the businessmen, with different weapons, "spread out in rows of marksmen" in the Altai mountains. Since you know that we are paradoxical, do you like inconvenient situations?

[Nastase] I think that this diverse participation of the newsmen was a very useful lesson for us, the members of the official delegation, as well as for the newsmen. In the first place, they have been able to see how we organized the visit, how we conducted discussions, and the way in which they viewed essential issues. On the other hand, we were able to understand things better from some commentaries, and perhaps we were protected from some possible mistakes by knowing that we were undergoing a very careful and very critical examination....

[Patrichi] "The mouth of the world"...

[Nastase] Precisely. From this point of view, it was a reason for greater mobilization for us, in the sense of official action. In addition, I believe that being together for a week, in an airplane or in several cities, fostered a sense of respect and of consideration among the members of the delegation and the newsmen. We were able to better see the limits in situations. We discovered each other better and, from this point of view, the composition of the team was very useful and very interesting and beneficial, not only for this visit to Central Asia but also for the Ministry of Foreign Affairs, as a whole. Certainly, beyond the errors which we often make, signs of a certain professionalism on the part of the team of newsmen could be noted on this trip.

[Patrichi] Thank you.

### Interior Minister Views Reorganization Tasks

AU2107133392 Bucharest ROMANIA LIBERA  
in Romanian 18 Jul 92 pp 1, 3

[Interview with Interior Minister Victor Babiuc by Gilda Lazar; place and date not given: "Why Is Mr. Babiuc Contested?"]

[Excerpts] [Lazar] Mr. Babiuc! You are the most controversial minister at the moment. You have been controversial from the moment you took over the Interior Ministry....

[Babiuc] This is true. I was one of two ministers the Senate did not approve until the second ballot.

[Lazar] Why do you think this happened?

[Babiuc] While I do not know all the reasons, I think I can suggest two. One of them involves my orientation at the Justice Ministry, an orientation which probably has elicited the distrust of some parliamentary deputies. I mean primarily those people who now make up the so-called Democratic National Salvation Front [FDSN]. On the other hand, I can also mention the ill will of some parliamentary deputies who were members of various committees, people with whom I exchanged views about the organization of the Justice Ministry, and especially in the process of formulating the Constitution. These people did not understand that my opinions and arguments did not involve the persons I was talking to, but were determined by the subject of our discussions. Debates I considered finished have been continued by these people who reject my participation in the government. [passage omitted]

[Lazar] I understand that you have also initiated many changes in the Interior Ministry. Do you think that these changes led to animosities and to the emergence of internal enemies?

[Babiuc] When I came here, I found this ministry organized into four departments, each with its own setup and structure determined by the government. Each department considered itself a separate entity. The bosses were more interested in their importance within the ministry as a whole, rather than in running a smooth operation. Moreover, cooperation between the various departments was very bad. This state of affairs led to the need to eliminate this structure, and I also used the opportunity to reduce the number of ministry directorates and the typically military structure of the chief of staff, a unit that has no place in an Interior Ministry.

[Lazar] What were the results of this shakeup?

[Babiuc] As the events of the past eight to nine months show, the results are positive. People are beginning to cooperate and better understand their tasks. [passage omitted]

[Lazar] Is it true that you have submitted a report to President Iliescu in which you oppose presidential interference in police affairs?

[Babiuc] That is true. Attempts have been made by the Supreme Defense Council to subordinate the Interior Ministry, and I tried to avoid this. I had to write to the president to do this.

[Lazar] Have they also tried to interfere in the activity of the Justice Ministry?

[Babiuc] No. The Justice Ministry did not "benefit" from such intervention attempts, because it was probably considered a less important ministry. [passage omitted]

[Lazar] Press reports have confirmed existence of a plan for Mr. Iliescu to resign before the elections. Do you have such a plan in case you are nominated as a candidate by the FSN? Is there any legal disharmony between presidential candidacy and administrative functions?

[Babiuc] You ask me about plans that would become topical if I were a candidate for president. Given the fact that I am not yet a candidate, however, my plans are less clearly outlined. There is no incompatibility whatsoever between the position of minister and that of presidential candidate, and resignation is not obligatory, either. On a moral level, and regarding the behavior of relevant persons, such a measure would be useful, but only if a person is suspected of abusing his current position for his benefit or that of his political friends....

[Lazar] If you were a presidential candidate, what slogan would you adopt?

[Babiuc] Let me first become a candidate, then I will tell you....

[Lazar] Prime Minister Stolojan claimed he refused to be a presidential candidate because he could not say the following: "Iliescu is bad, and I am good." Would you say that Mr. Iliescu is bad?

[Babiuc] I understand perfectly Mr. Stolojan's position, because this issue also makes me somewhat uncomfortable. Of course, I can say a lot of unpleasant things about someone if I have a reason. It bothers me, however, to engage in an election campaign with such an objective. This is not in my nature, nor could I say that "I would show you how clever and good I would be if I were elected president." [passage omitted]

### Foreign Trade Deficit 'Structural' Problem

92P20362A Bucharest ADEVARUL in Romanian  
28 Jul 92 pp 1, 4

[Article by Gh. Cercelescu: "The Cost of an Error"]

[Text] Romania has a foreign debt once again. So what? How many countries are not in debt today? Or, in other

words, is there any country which does not call upon international financial markets? However, is the reason for our borrowing the problem?

More than 90 percent of the credits given were intended for achieving a balance of payments. After 1989, consumption (on the part of both the economy and the population) exceeded production every year. The trade deficits created led not only to the depletion of the country's hard currency reserves (from \$1.6 billion on 31 December 1989), but also to the incurring of foreign debt (amounting to \$3.24 billion on 30 June 1992).

Romania's trade deficit is a structural problem. Our economy depends greatly on imports of energy and raw materials. Therefore, the only source of economic growth is import. When we had hard currency resources for imports, production increased (as happened even in the winter). When there were no dollars or when they were slow in coming, production dropped. This shows how important economic restructuring is in our country. If we continue to have energy-guzzling sectors, we will accumulate debt that we will never be able to pay. This is because the credits we will receive will not be used for retooling and for increasing labor productivity and production, but for imports that will not be covered completely by exports.

However, the trade imbalance does not have only structural causes. What the government is doing now, by levying surtaxes on the import of luxury products, is nothing but an attempt to reduce the unexpectedly serious consequences of some older errors. In Romania, liberalization began with imports. The only obstacle which has remained for anyone who would like to buy something from abroad is lack of hard currency. The liberalization of foreign trade is, indeed, a component of economic reform, and even a means of restructuring enterprises. As a result of the poor efficiency of our economy, it is cheaper for a person to get some products on the foreign market than on the domestic market. If they do not want to go out of business, Romanian economic units will have to make their production more competitive; otherwise, they will be driven out of the market by foreign competitors.

If the liberalization of imports is not carried out in correlation with the resources, it does not give the expected results. The people who are selling cigarettes, alcoholic beverages, and color televisions in Romania are not satisfied with our currency. They go to the bank and ask for dollars and marks in exchange for lei. But when their request cannot be satisfied, tensions appear on the currency market, and freezes occur. In addition, there is something that rarely occurred in World Bank practice took place: The World Bank experts recommended that the Romanian Government increase tariff protection. The experience of other countries in transition, they say, shows that the gradual liberalization of imports is a viable road to reform, especially if the export

potential is limited, the international reserves are insufficient, and the economic stabilization process is just beginning.

The reduction of nonessential imports is necessary for other reasons, besides those given above. The trade deficit has, for a time, shown a trend toward reduction—not because of the increase of exports but because of the reduction of imports. Last year, energy consumption, for example, was one-third less than in 1989. However it is not possible to restore a trade balance by continually reducing vital imports. If a rather large trade deficit (\$1.5 billion) is planned for 1992, the explanation lies in the fact that, otherwise, the national economy would not really be able to function. The recovery of the Romanian economy depends, at present, only on increasing exports. The government has initiated a complex system for providing incentives to exporters (we will have more on this), but its success depends on the capacity of the Romanian economy to sustain it, a capacity that under no circumstances can be developed as long as we still receive foreign credits for consumption.

#### **Romania Submits Loans, Hopes To Sign Agreements**

92AE0495Z London AL-SHARQ AL-AWSAT in Arabic  
9 Jul 92 p 10

[Article by 'Abd-al-'Aziz al-Sudayqi: "Romania Requests Loans From Four Gulf States: Will Sign Investment and Tax Agreements With the United Arab Emirates"]

[Text] Abu Dhabi—Romanian minister of state for economic affairs, Paul Coman, said his country has incurred losses of about \$4.7 billion as a result of observing the international boycotts of Iraq and Yugoslavia.

Coman told a news conference at the conclusion of his four-day visit to Abu Dhabi that Romania asked the United Nations to compensate it for the losses it is incurring because of the boycotts. He added that Romania recognizes that the compensation process is long and complicated and hopes to sidestep the issue by securing long-term soft loans.

He said that the Romanian Government has indeed requested such loans from Saudi Arabia, the UAE [United Arab Emirates], Kuwait, and Qatar, but that the four governments are still scrutinizing the projects for which Romania seeks funding.

The Romanian minister declined to give specific figures but said, as an example, that he submitted seven or eight projects for UAE financing.

One such project involves utilizing the excess capacity of Romanian oil refineries, currently at only 12 million tons of the original 32 million metric tons per year, of which only 20 million tons [as published] is currently being utilized. The collapse of the Eastern Bloc, the

shrinkage of Romanian imports of Russian and Iraqi crude, and the decline of Eastern European purchases of Romanian refined products as a result of current economic and fiscal crises [have shrunk Romanian oil exports].

The Romanian minister added that while it seeks to borrow abroad, Romania is owed overdue payments by such countries as Iraq, Yugoslavia, etc., which are indebted to it for a total of \$2.7 billion in loans.

He explained that Romania needs to borrow \$1.6 billion to modernize its petroleum, industrial, and other sectors. This means that it would have a balance-of-payments surplus, rather than a deficit, if it were paid back the loans it extended.

The minister said that Romania is about to sign an agreement on investment guarantees and a tax treaty with the UAE, and that the Romanian-UAE Joint Commission will, at its first session late in August, sign an economic, trade, and technical cooperation agreement between the two countries. He emphasized that such agreements provide an appropriate legal framework for bilateral cooperation.

He pointed out that UAE investors currently participate in 51 Romanian projects in such venues as tourism, real estate, and commerce.

He emphasized that the climate in Romania is conducive to investment and that new investment laws offer foreign investors substantial guarantees.

#### **Government Initiates Project To Privatize R&D**

92WS0696A Bucharest ROMANIA LIBERA  
in Romanian 7 Jul 92 p 6

[Article by Catrinel Vlad: "Romania Takes First Steps on Research Privatization Path"]

[Text] Everyone agrees that privatization is the only way to rekindle Romania's economic life. And now, scientific research is also taking a first step in that direction, as part of an initiative from the Science Department of the Ministry for Education and Science, to privatize research, development, and planning units (UCDP) in education and industry. The project was presented at a meeting in St. Petersburg, together with a paper on "The Role of Innovation Centers (Business Incubators) and Technology Transfer Centers in Accelerating the Privatization Process in Romania."

This is the first time the idea has been mentioned in the countries of the former communist enclave, where it has elicited considerable interest, having also been presented in Venice as part of a seminar on the organization of science in Europe. In the concept of the privatization office of the science department, the "incubators" represent privatization assisted and supported by the state, whose end result would be the creation of small and medium-sized enterprises in both the technology transfer

and business sectors. In countries with a market economy, the incubators operate along with universities and serve to support inventions, innovations, ideas, or the small-scale application of technologies already used in research units. In Romania, conditions exist for developing them by exploiting microproduction in university units that already have the necessary material basis. They can allow the utilization of the existing scientific potential in order to become business incubators, and ultimately small and medium-sized enterprises. The need that they be financed by the state, which will become their primary beneficiary in a first stage of two to three years, arises from the facts that the market economy and the labor market in Romania are in the process of being formed, and that the institutional and legislative systems are imperfect. The precariousness of the financial resources of Romanian banks makes it impossible to finance them on the basis of credits. Moreover, foreign businessmen, constrained by laws and regulations that handicap their attempts to invest in Romania, will not invest in a sector that represents a relatively high risk at the start. It is a matter of the outdated mentality that stifles free initiative, and of the danger that people who want to make an extra profit under the protective umbrella of state financing will infiltrate these incubators. A conversation with Nicolae Naum, director of the science department, indicated that those accepted to operate in these incubators will be

active or retired competent specialists (tested by a commission), as well as students with interesting ideas they want to investigate with a view to exploitation. A portion of the money derived from these ideas will go to the science department, and a portion to the incubator. The latter's capital will gradually increase, so that by the end of three years the personnel will be able to break away and "stand on their own feet," retaining the initial purpose of the space. The efficiency of the incubator will be measured within a maximum of two years after its formation. The social aspect of incubators is not negligible, because it can absorb part of the real or potential unemployed people, who will be transformed into small entrepreneurs or businessmen. The successful completion of this project implies a coherent and fundamental state policy of encouraging small and medium-sized entrepreneurs by creating a suitable legislative and institutional framework, by building a system that will resist the difficulties resulting from economic instability, by science department-financed research contracts to be conducted in incubation centers, and by finding sponsors in Romania and abroad to assure the funds needed for the development of the incubator network.

In our opinion, we doubt that research financed and controlled by the state, which will also be its principal beneficiary, can lead to real privatization. Is it not more likely that it will perpetuate centralization?

**Islamic Community Leader on Muslim Genocide**

92BA1260D Zagreb VECERNJI LIST  
in Serbo-Croatian 15 Jul 92 p 9

[Interview with Reis-Ul-Ulema Hadzi Jakub Selimoski, supreme leader of the Rijaset of the Islamic Society, by Azra Kaurin; place and date not given: "40,000 Muslims Slaughtered, and the Serbian Patriarch Is Silent"]

[Text] The Serbian people and the Serbian Orthodox Church will bear the responsibility for the death of the 40,000 Muslims slaughtered up to now. It is time for us to come to our senses. Muslims will not disappear from this region; I am convinced of it.

The supreme leader of the Islamic community, Reis-Ul-Ulema Hadzi Jakub Selimoski, has been making maximum efforts throughout the world, since the outbreak of the war in Bosnia-Herzegovina and the genocide against Muslims, to prevent this crime. So far he has visited a number of Islamic countries, and he has also visited leading personalities in Western Europe. Reis-Ul-Ulema Selimoski speaks for VECERNJI LIST about the genocide against Muslims in Bosnia-Herzegovina and crimes the like of which civilization does not remember, as well as about his views and observations on everything that is happening in Bosnia.

[Kaurin] War is not being waged in Bosnia-Herzegovina; it is mass slaughter of Muslims.

[Selimoski] Our hopes have been turned toward the world, that they will hear our appeal and react so as to protect us. The world has not shown us that we are a part of their milieu. We have sought democratic processes, a change in regime; Europe has viewed us with sympathy, but when our dreams of a democratic society should have been realized, the Western world has lifted its hand from us. I believe that Europe and the world will set all mechanisms in motion to help a powerless and exhausted people.

**Massive Ethnic Cleansing**

[Kaurin] According to your experiences and findings, how many Muslims have suffered up to now?

[Selimoski] It is very difficult to get exact figures. Certain areas are closed not only for citizens of Bosnia-Herzegovina, they are also closed for various international institutions, which stubbornly remain silent and do not react more sharply. The lives of thousands of people are in question. International institutions even fail too often to insist on visiting occupied areas, where the aggressor is doing what he wants. Massive ethnic cleansing of certain areas in Bosnia-Herzegovina is being carried out, mainly in those locations where the majority of the population is Muslim. Today, in eastern Bosnia, in cities like Foca, Visegrad, Zvornik, Rogatica, Rudo, Gacac, and smaller places, there is no Muslim living. Several days ago a citizen from Visegrad swore before me on the Koran that he is the last inhabitant of Visegrad. There is no reason for me not to believe him because

tragic information about the suffering of Muslims has already reached me. The powerless population is being killed off. In Visegrad alone, 1,500 Muslims have been killed. The news about the massive slaughter of the population at the famous Visegrad bridge is true. Children have watched while their mothers were slaughtered, and mothers have watched while their children were killed and thrown in the Drina. The Rijaset of the Islamic Society, by means of various official institutions of Bosnia-Herzegovina, but also through organs and bodies of the Islamic Society, has received information that more than 40,000 Muslims have been killed. This great number of killed were civilians; they were not carrying weapons.

[Kaurin] Of the total number of religious sites in the possession of the Islamic Society, many have vanished from the face of the earth. How many mosques, monasteries, houses of worship, and religious schools are in question?

[Selimoski] Of the total number of religious sites of the Islamic Society, and that is a rich treasure with more than 2,000 mosques, houses of worship, religious schools, and monasteries, 200 mosques have been completely destroyed, 250 mosques are in very bad condition, and over 200 sites of the Islamic Society have been destroyed.

[Kaurin] Despite this, Europe and the world are reacting slowly.

[Selimoski] The world and Europe should see and hear what is happening. If Europe continues to consider itself a civilized milieu, it has to react urgently and open its eyes to the world. In contrast, I am beginning to believe that everything that is being done was planned by some hand in order for a people and their culture to be wiped from the face of the earth. If we are not protected with all resources, Muslims will believe with full justification and responsibility that all those who could have helped and prevented all this are, to some degree, accomplices with the aggressor, to put it mildly.

[Kaurin] What can you tell us about your meeting with Pope John Paul II?

[Selimoski] The wish was expressed by both sides that we meet and that was done in a very short time. My conversation with Pope John Paul II really lasted a long time, and I spoke for an hour and a half with the main secretary of the Vatican. I spoke with the Pope and explained to him the whole situation concerning the war in Bosnia-Herzegovina. We ascertained that there was no reason for the citizens of Bosnia-Herzegovina to kill each other; instead, the war was imposed on Bosnia-Herzegovina by the Yugoarmy and the aggressive policy of Serbia. We had identical views on the aggression.

[Kaurin] Have you contacted Serbian patriarch Paul and doesn't it seem to you that the Serbian Orthodox Church is standing off to the side and watching the crimes?

[Selimovski] Unfortunately, there has been no meeting between Serbian patriarch Paul and me. An initiative existed for a three-way meeting among cardinal Kuharic, patriarch Paul, and me. There has been no meeting because the Serbian Orthodox Church, from the moment of the aggression against Bosnia-Herzegovina—and at that time massacres had already taken place in Zvornik, Foca, and Bijelina—has not considered it appropriate to appear. Unfortunately, the Serbian Orthodox Church and Serbian patriarch Paul have not been able to overcome the atmosphere in which they live and work. So far they haven't acted with any sort of measure or a message to the world. They haven't even disassociated themselves from the slaughters that the Serbian aggressor is carrying out.

[Kaurin] Priests of the Serbian Orthodox Church have been seen in the company of the criminals, and the baptism of children is being talked about increasingly.

[Selimovski] That is correct, and we have that information. In death camps all over Bosnia-Herzegovina, 18 religious officials have been imprisoned, among whom were also two high officials of the Rijaset of the Islamic Society. Professors at the Theological Faculty in Sarajevo, Nijaz Sukric and Ibrahim Djendanovic, were imprisoned for a month at the jail in Butmir. They were brutally seized at their apartments in Dobrinja and taken away. The aggressor even took their families into custody. Nijaz Sukric was taken away with his wife and three children, one of whom was a seven-month-old baby. We exerted maximum efforts in the Rijaset for the religious officials and imams to be set free. When all

attempts failed, we appealed in an open letter to patriarch Paul to undertake everything at the state organs for them to be released. After this intervention, the professors were released in four days. Unfortunately, just two of them. I am stressing this in order to show the world that the Serbian Orthodox Church is influential and that this can be utilized to stop the bloodshed and massacres of Muslims. The Serbian people and the Serbian Orthodox Church will bear historical responsibility for the death of 40,000 Muslims slaughtered up to now. It is time for us to come to our senses. Muslims will not disappear from this region, and I am convinced of that. Because it is Allah's will. However, why should future generations live with such a burden? Is this necessary? We are talking about killing children, slaughtering them; the aggressor was also baptizing in 1942 in the area around Foca. He is doing it today too. He must know that a Muslim cannot be baptized!

#### **Slovene Levies on Imports From Croatia**

92BA1271D Zagreb NOVI VJESNIK in Serbo-Croatian  
22 Jul 92 p 1

[Text] Ljubljana—The Slovene Government adopted a decision on 21 August establishing special levies on goods imported from the Republic of Croatia. The levies range from 1 to 6.5 percent, depending on the type of goods imported, but this is a countermeasure adopted after a similar decision of the Croatian Government.

On Wednesday, the Slovene Government will submit to the parliament a bill limiting salaries in the social services. The bill calls for the rise of salaries to be indexed to the rise of the standard of living in the previous month.



# 'B-H Lebanon' Seen as European Security Threat

92BA1265A Ljubljana DELO in Slovene 21 Jul 92 p 2

[Article by Zoran Odic: "The Bosnia-Herzegovina Lebanon Will Spread Through All of Europe"]

[Text] *Europe and the UN do not care about peace and are just afraid for their own backyard; Tudjman's and Milosevic's secret diplomacy partitioned Bosnia-Herzegovina [B-H]; cantonization on an ethnic basis has been completed; "secure areas for Muslims."*

Ljubljana, 20 Jul—After the world's statesmen threatened after the first round of talks in The Hague that if the slaughter in B-H did not stop the world would close the border and establish a cordon sanitaire, so that the explosions in the Balkans would not break windows in the shops of European jewelers, the recent events in the war, because of which at least 2 million people have been turned into a legion of "the lost," confirm that they were right: Europe and the UN do not care at all about peace, but only about keeping the war from spreading to their own backyard.

It would be an illusion to expect that the latest cease-fire will bring what is expected of it. This is demonstrated by the elegant appointment of Cyrus Vance as the secretary general's emissary on a new "peace mission," the predictions that Lord Carrington will resign from his position as chairman of the conference on Yugoslavia, and also the fact that his companion, Portuguese Foreign Minister Cutilheiro, the chairman of the conference on B-H, has become completely silent.

The assertion by the world's statesmen and the formulators of that policy that humanitarian assistance (in the meantime it has stopped because of the new blockade of the Sarajevo airport) will help in the peace efforts is another illusion, which has turned into a soap bubble for the people in B-H and also for the international community. The world has hidden its bad conscience under humanitarian assistance. The inhabitants of Sarajevo, who are the only ones who received assistance, since the Serbian-Montenegrin "liberators" did not let trucks drive to other cities, can die satiated.

The latest cease-fire will not last long, even though Serbian policy and its leadership in Belgrade will play the doves of peace. Serbian policy has already achieved all its goals: Serbia has united with the Krajinas, and established a corridor from Serbia through Visegrad, Gorazde, Bosanski Samac, Odzak, Derventa, Gradacac, Doboj, Tesanj, and Teslic to Banja Luka and Knin. In order to be able to protect this corridor, it has destroyed and emptied all the towns in the Drina Valley—Visegrad, Foca, Gorazde, Cajnice, Zvornik, Ruda, Bijeljina, Vlasenica, Janja, Srebrenik, Bratunac, Kalesija, Brcka, and Doboj. In the valley of the Usora River as well, they are destroying everything that can be destroyed.

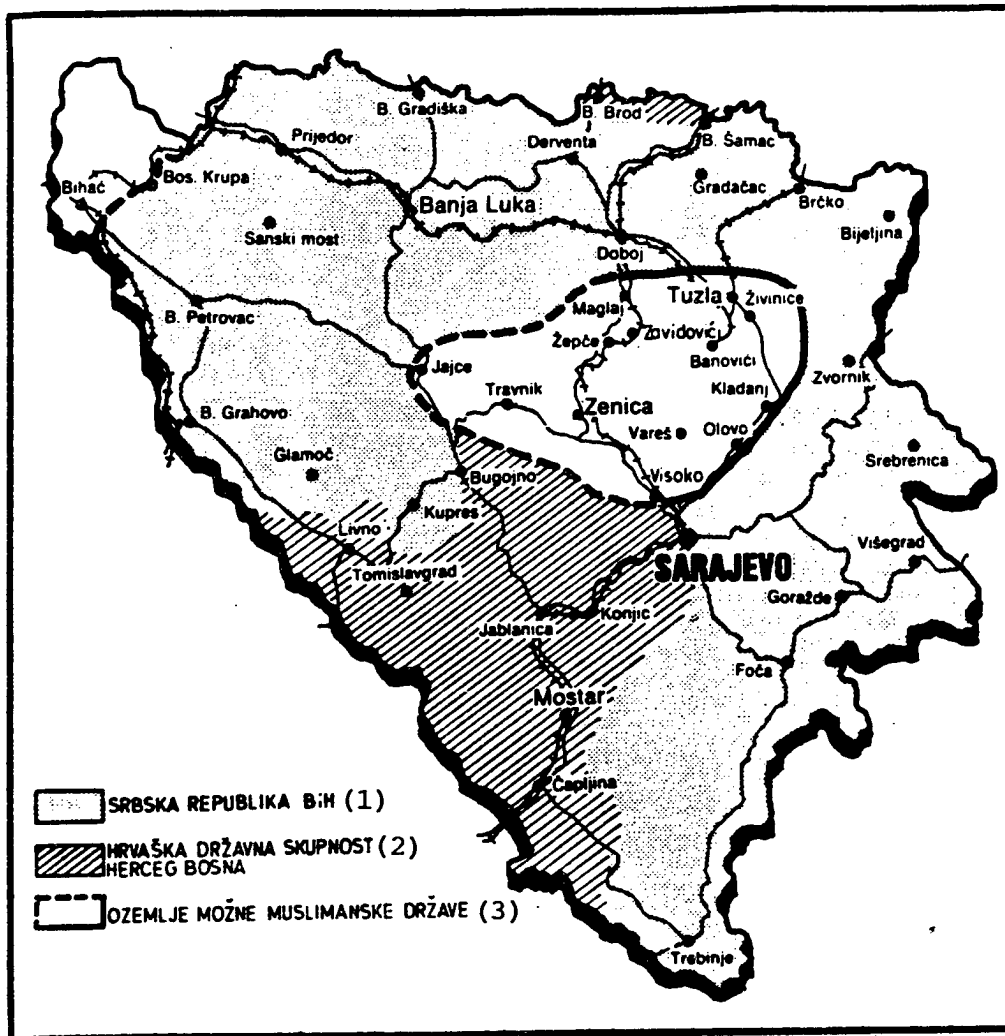
The world is still only engaged in diplomacy, and B-H is dying under the military boot. The Serbs have achieved their strategic goals, which they will try to retain, and at the same time they will offer Croatia negotiations. It has to do with "secret diplomacy" along the lines of the talks between Tudjman and Milosevic in Karadjordjevo. The Croats in the diaspora have promised Tudjman that they will allocated \$5 million for his election campaign on the condition that he will fulfill his previous campaign promises and annex western Herzegovina to Croatia. The conclusion of an agreement in the Tudjman-Milosevic talks is also indicated by the fact that three HOS [Croatian Defense Forces], the only ones that had antiarmor and anti-aircraft weapons, have withdrawn from Bosanska Posavina.

The members of the B-H TO [Territorial Defense] had to oppose the strongest army in Europe with only infantry weapons. The UN's contribution in its own way to the devastation throughout B-H is also indicated by the fact that after the withdrawal of the HOS units, all the Yugoslav army's weapons were transferred from the so-called pink areas in Croatia to the territory of B-H, without being obstructed in this by the HOS members and UNPROFOR [UN Protective Force]. These are the best equipped and best trained units, which fought in the vicinity of Knin, in Banija, in Slavonia, through all of Posavina, and thus from Nova Gradiska and Okusani to Sid, from Zadar to Sibenik.

This is also indicated by the disagreements in the spring within the HDZ [Croatian Democratic Community] of B-H, when, in the presence of HDZ Secretary General Stipe Mesic, the leadership of the HDZ in B-H was taken over by the "agile" Mate Boban. All of this is also confirmed by the meeting between Karadzic and Boban in Gradec. Tudjman's assurances that he was does not support Boban are unconvincing, just as he should not be believed when he talks about the inviolability of the state of B-H, since all of his statements, at the same time, have also expressed concern about the position of the unprotected Croatian people in B-H, and one can also note support for the cantonization of B-H.

With such behavior by the world and the local "fathers of their peoples," the cantonization of B-H on an exclusively ethnic (fascist) basis has already been completed. Tudjman has left Bosanska Posavina and the corridor from Serbia to both Krajinas, with a cleansed Podrinje, at Milosevic's mercy. Milosevic, in return, will settle Serbs from Knin and the Krajinas precisely in the area from which the entire population, including members of the Serbian nationality who did not wanted to consent to such a policy, have been driven out or killed.

Tudjman will consequently be able to keep his recent campaign promise that the Croatian army will move into Knin. Boban is stating that he respects the borders of B-H, but in the so-called state of Herceg-Bosna in western Herzegovina, which extends all the way up to Travnik in central Bosnia, he has introduced an exclusively Croatian executive authority, a Croatian military



Key:

1. Serbian Republic of Bosnia-Herzegovina
2. Croatian State Community of Herceg-Bosna
3. Territory of a possible Muslim state

command, and Croatian money. The Croatian canton in B-H has therefore been defined in that way, and those Muslims who survive can settle in the area from Sarajevo through Zenica and the valley of the Bosna river up to Zepac and Zavidovici. Since the UN is already talking about "secure areas," it is of course possible to assume that the borders will be established precisely in those areas, and those borders are then to be guarded by members of the UN peacekeeping forces. This will also be the final partition of the state, and so B-H will actually disappear from the political map of the world.

Although the political authorities are reluctant to admit it, the political goals have claimed a bloody price. So far

at least 200,000 civilians have died in the clashes in B-H, and in all likelihood there are almost half a million dead women, children, and old men. When the war in B-H started on 6 april, there were 4,800,000 inhabitants living in this state. If we do not count members of the army, somewhat more than 2 million civilians are living here now. About 2 million people had to leave their homes, and it is simply not known what happened to approximately 800,000 people.

Those who think that even this is a better solution than a continuation of the war are wrong, since in this case there will nevertheless be a classic civil war within B-H.

All those who will be left as minorities inside cantons or secure areas will certainly not reconcile themselves to that position.

The members of the B-H TO, who will keep fighting for their state, will likewise not consent to anything like that, just as the members of the other armed formations (there are currently 15 of them in B-H) will fight to keep what they have won. In any case, there will be fewer armed conflicts and many more terrorist actions, which quite certainly will not be limited just to the territory of B-H, but will instead happen everywhere that ideological and nationalist enemies are found. The B-H Lebanon will spread throughout all of Europe.

### Anomalies, 'Conflicts' in Slovene Economy

92BA1233A Ljubljana DELO in Slovene 11 Jul 92 p 17

[Article by Miha Jenko: "The Volcano Under the Slovene 'Oasis'"]

[Text] "Slovenia is a really amazing country," a colleague from PARIS MATCH recently affirmed, after he had spent two months preparing a special article on Slovenia as a new European state and in doing so had conducted about 50 interviews with our politicians and businessmen. Foreigners who have been here for the first time in the past year are usually really somewhat surprised and not astonished over the Slovene "difference," the exotic nature of a still unknown, new country, over the combination of old Austro-Hungarian architecture, the scope of new entrepreneurship, and an apparently high standard of living for East Europe; their glance runs to the expensive imported automobiles driving along mostly bad and neglected roads, and they are surprised by the tolar, recently, through a combination of circumstances, probably the "hardest currency in the world."

If all this is happening in the conditions of the economic crisis that people keep talking about, then it is a good and acceptable economic crisis, and there is no sense in our changing anything, as one of our well-known macroeconomists recently joked sarcastically about Slovenia's apparent prosperity. When we uncover this first, outward appearance of Slovenia and the indicators that measure economic rhythm are revealed beneath it, the country's soft image is less idyllic, harsher and harder, and beneath it the real and apparent economic conflicts and antagonisms are revealed. Among them, the ratio between trends in domestic prices, i.e., inflation, and trends in the tolar's exchange rate has probably been in first place recently.

British statesman Benjamin Disraeli, famous for his epithets, already emphasized a full century ago that money and its exchange rate are the only thing that has driven more people crazy than love. Here, to be sure, the monthly rates of inflation are lower than last year and are gradually declining. They cannot, however, go below 5 or 6 percent a month, which at the annual level yields three-digit inflation, about 100 percent. On the other hand, the exchange rates for foreign exchange—as a

measure for those who sell to foreign markets—have even been reduced in recent weeks. This, of course, is a consequence of pure market logic, which is created by supply and demand in the foreign exchange market. The way in which Disraeli's above-mentioned axiom is now operating here is also demonstrated by the high demand in opening new exchange offices—83 exchange offices are publishing their rates every day now in our newspaper alone. Furthermore, Slovenia is something special in foreign trade. Did anyone really expect that, after the loss of markets and the other short-term economic upheavals brought by independence, the current foreign exchange surpluses in foreign trade would even increase? Last month the surplus amounted to about 140 million German marks. An official "correction" of the tolar's exchange rate, i.e., a one-time devaluation, has already been discussed for weeks, but fortunately has not happened. A one-time devaluation of the national currency, by 15, 20, or 30 percent, for instance, would launch a similarly high growth of prices, inflation and inflationary expectations, economic discrepancies would be found only at a higher price level, and a possible price freeze would also freeze price discrepancies at the same time.

Furthermore, from the standpoint of the national economy it would be catastrophic if someone could force an increase in the exchange rate just to finance the costs of poor domestic productivity and transfer them to profits for domestic monopolists, primarily enterprises in the public sector. A change in the exchange rate is still being demanded by those who have been left without payment from risky foreign markets like Iraq's and the markets of the former Yugoslavia. If the purpose of the correction were to cover all those costs and losses in the economy, the vicious circle that is well known from semipast history would occur. That is why the only sensible method seems to be the one decided on by the Bank of Slovenia, which is still insisting on market formation of the exchange rate, while introducing central bank instruments that will increase the demand for foreign exchange. The exchange could thus also start to slide in a slow, evolutionary, and balanced manner. It is true, however, that because of outside pressures the central bank has been forced into a controversial position: Its basic task, of course, is to watch out for the stable exchange rate of the tolar and for internal and external liquidity, but now it has been forced to intervene using instruments that through market mechanisms will probably gradually lower the present tolar exchange rate, which has been determined by the market.

Furthermore, a new and previously less pronounced phenomenon is occurring in the increasingly more fragmented Slovene economic space. After independence the internal market was seriously curtailed, and in it, new monopolists are arising at several enterprises that are strangely isolated from any sort of competition. Enterprises are thus differentiated by the extent of the regulation and the difficulty of the markets toward which they are orienting their products and services. They are being differentiated into those that have to struggle in difficult

markets, and those that are only selling at home. With the monopolists, an expensive chain of events usually begins, which includes low productivity, the possibility of monopolistic price-setting, and the philosophy that lower quality items can be sold in the domestic market even at higher prices than abroad.

If there has been an apparent preelection lull and a serious tedium in politics (at least until the presentation of the opposition presidential candidates), which is actually good, more dynamism is thus promised in the sphere of the economy. Time is passing quickly, and Drnovsek and his economic team must also show their first tangible results even before the fall elections and thus prove that he was taking things seriously. A change in denomination, but not the more time-consuming rebalancing of the budget, the special-purpose introduction of a budget deficit, the announced imminent beginning of the financial rehabilitation of enterprises, acceleration of the financial rehabilitation of banks, and the legislation associated with this that the government adopted and sent to parliament, are already encouraging signs. In the chaotic economic situation, the announced state interventions are probably the only solution to avoid complete financial collapse of most of the economy and a return to trade in kind, which would settle accounts with shoes, potatoes, or coal. It is another question whether there will be enough capital in the small domestic financial market to be included in financing economic renewal and in buying papers from the Slovene central bank.

The government's measures are making postponement of the privatization legislation uncertain. It is precisely with the (non)passage of the law on privatization that citizens, as taxpayers, employees, and voters, in short, the general public, will continue to endure patiently having the national economic interest be subordinated to conflicting parochial interests that do not know how to or do not even want to reach a consensus: This has to do with the interests of those who want to profit from privatization, and with the preelection prestige of political parties and the handfuls of quarreling politicians. After privatization in Slovenia, finally nothing will be the way that it was anymore. That is why it is now only apparently strange that foreigners have to convince us that it is better to pass any sort of privatization law than to wait and not pass anything. It seems that the problem is that every political pole here is willing to pass privatization legislation precisely when it has a majority in parliament—in order to privatize Slovenia in its own way, for itself, and in accordance with its own interests.

After announcements from government circles, in the near future interesting shifts are being promised in the business leaderships of the banks and enterprises that are ripe for financial rehabilitation. To be sure, Slovene management is supposed to be one of Slovenia's comparative advantages over its East European competition. This is certainly true, of course, but at the same time it still does not mean that the right people are in the right jobs everywhere. At the enterprises and banks that the

state will rehabilitate in the coming months, it will also replace the management leadership, as a rule. How that replacement of directors—certainly a normal matter in the rehabilitation of enterprises in the Western business world—will be received by the broader political public is still hard to predict. If the previous government had nevertheless decided on the same thing, the previous opposition would have designated it as one more pogrom against "Red" directors, but now that the colors in power have changed, it will be interesting to observe the reactions of different parts of the public. New directors, a new business philosophy, new owners, and, if we are lucky, also new capital are supposed to be brought into the enterprises and banks through financial rehabilitation—and not just this. If Minister Gaspari's predictions are realized, Slovenia will even start to import top managers, and is also to invite people from the notorious German Treuhand and other foreign management teams to cure our enterprises.

We have been talking here about the financial rehabilitation of banks and the economy for four years now, but at least in the last few months what has been missing for its start is that final, conclusive step—good will for cooperation between the government, or rather its Finance Ministry, and the Bank of Slovenia. Financial rehabilitation of the banking system is essentially financial rehabilitation of the Ljubljana Bank group, a system that has no longer existed since 1 July, since the banks have at least formally become independent and are now supposed to compete with each other. At 13 banks that are awaiting financial rehabilitation, the situation is rather nervous at this time, since all sorts of people are trembling for their jobs because of the "rationalization of operation" and the announced personnel replacements. In this regard experts are also warning that with the financial rehabilitation of these banks, a protective umbrella will also be raised over the smaller and newer banks, which have lower operating expenses because they do not have past sins. According to some estimates, every borrower has paid at least a 10-percent tax for the old banks' bad investments in the past. If these new banks have made their range of interest rates equivalent to those of the all-embracing Ljubljana Bank group—and, of course, they are already doing so now—they have had considerable profit because of it. Just as in the case of the Ljubljana Bank, all of this has been paid for and is being paid for the financially more and more ruined enterprises and other borrowers. From the standpoint of citizens and entrepreneurs, the most important goal of the financial rehabilitation is therefore primarily lowering the price of capital, which in our situation is ten times higher than it is abroad. Of course, the financial rehabilitation will be paid for primarily by the taxpayers, who will not yet feel the real consequences of the banks' restoration this year, but next year, about 300 million marks or a full 15 billion current tolaris is to be allocated for this in the budget. And this process will be a long one, since the taxpayers will probably still be paying for the financial rehabilitation of the banks after the year 2000.

Curbing consumption and prices and wages, especially in the public sector, financial and other assistance for the revival of enterprises that have been affected by the loss of markets, the purification of the economy and the banks, and the introduction of several new taxes are only a few of the main moves that have also been announced, which the government will have to make on the economic chessboard as early as the middle of the sultry and hot Slovene summer. The new macro-economic instruments of monetary, fiscal, and budget policy are increasingly tighter, and there is no longer

much room to maneuver. There are also the still unsatisfied workers, strikes, and the difficult formulation of a social pact. The apparent summer vacation paradise is being disturbed here and there by the rumbling of a volcano that is threatening the collapse of the economy and the outbreak of social dissatisfaction. That is why the state intervention in the financial rehabilitation of enterprises and banks that is now being announced is necessary and crucial. The first payment or penalty for its implementation will soon follow.

### Oppositionist Serbian Civic Federation Discussed

92BA1194A Novi Sad MAGYAR SZO in Hungarian  
28 Jun 92 p 8

[Interview with Dr. Dragan Veselinov, president of the People's Peasant Party and a founder of the Serbian Civic Federation, by Imre Papp; place and date not given: "If There Is No Other Way, Parallel Establishments Must Be Created"]

[Text] *The People's Peasant Party, the Serbian Party of Democratic Reform, the Social Democratic League of Vojvodina/Yugoslavia, and the Republican Club formed the Serbian Civic Federation, soon after the establishment of the Serbian Democratic Movement. We interviewed Dr. Dragan Veselinov, president of the People's Peasant Party and one of the founders of the federation, about the motives for forming the federation, the prospects of cooperating with the other opposition bloc, and today's mass demonstration.*

[Papp] What made the Serbian Civic Federation's formation necessary?

[Veselinov] Several party leaders, as well as analyses, came to the conclusion that the first wave of the opposition's organization had ended, and that it was necessary to proceed further. In our opinion, the civic parties have gained an opportunity to show their mettle. That is a peculiar contradiction amidst the process of society's turning fascist; but the fact remains that civic liberal ideology, with its emphasis on human and civil rights rather than on nationalism, is the only opposition to fascism. Now, when Milosevic's position is indeed shaky, it is not possible to wait for the formation of a real civic party, which would then assimilate the organizations close to it. Therefore, we concluded that it is preferable for the existing parties to form a federation, even though each of them has its own handicaps; because it would be impossible to wait for the slow emergence of a strong civic organization.

[Papp] But why did you not join the Serbian Democratic Movement? After all, their demands are identical to a large extent with yours.

[Veselinov] We wanted a closer union, specifically of parliamentary parties. No union is able to accomplish anything without them. We would have formed our federation even if the Movement had not emerged; its founding did not influence in any way the elaboration of our federation. However, the essential point is something else. The Serbian Democratic Movement does have influence, but it lacks a network of local organizations. Therefore, it must rely on the political parties. At present, the SZMM [Serbian Renewal Movement—SPO in Serbian] is the only substantial party within the Serbian Democratic Movement, and Draskovic's party will probably disappear within it. It is obvious, nevertheless, that the Serbian Civic Federation alone would be unable to topple the establishment, and we have proposed cooperation also for that reason. In our opinion,

however, we have to proceed further. To win, we have to penetrate the establishment's institutions. Or if that is not possible, parallel establishment must be created. There is now an opportunity to do so. That is why, in our opinion, a roundtable conference of the political parties should be convened. Temporarily, it would take over Parliament's role.

[Papp] Then it is not certain that you will be participating in the opposition's demonstration on Sunday?

[Veselinov] It all depends on whether the Civic Federation's demand, to formulate the petition as an ultimatum, is accepted. If our demand is not accepted, then we as an organization will not support the demonstration. Naturally, that does not mean our members will not be able to attend the rally as individuals.

[Papp] In other words, you people are demanding more than what the Serbian Democratic Movement is willing to accept.

[Veselinov] If the establishment is not willing to cooperate, we will have to create parallel establishments. That would force the army to get off the fence. As a result of the protracted sanctions, we are coming closer to fascism with each day. Even to terrorism and common gangsterism. It will suffice to cite the attempts to drive away the Croats and ethnic Hungarians. But it must be admitted that there are attempts to divide the Serbs as well. Add to that the economy's complete collapse, and you have the unmistakable signs of civil war. It does not make sense and has no purpose, other than sheer survival. That again would force mankind into nationalistic corrals. It is an enormous delusion that Serbia is the most stable point on the territory of former Yugoslavia. It has feet of clay, similar to those of Yugoslavia. Serbia's collapse can be avoided only through the decentralization of power; in other words, by developing regional establishments in Vojvodina, Serbia, and Kosovo, respectively.

[Papp] Does that mean you are advocating the conversion of Serbia into a federation?

[Veselinov] Yes. What is essential is that each region cover its expenses out of its own pocket, and the central establishment, with the sole exception of the Constitutional Court, not be allowed to overrule other bodies. Vojvodina, for example, does not have any autonomy at present, because all of its resolutions can be overruled by the Parliament in Belgrade. Whereas the essential feature of autonomy is that a region or community be able to decide certain questions entirely independently.

[Papp] What is your opinion of the demonstration scheduled for Sunday?

[Veselinov] To begin with, I think it is too late. But it could cause a surprise, if it succeeds in attracting a large enough crowd. I personally would like to see there, first of all, the entire opposition, the Academy of Sciences, the patriarch, the crown prince, the leaders of minority

organizations, the representatives of the universities, etc. In that case, they could sweep out Milosevic and force the army to decide which side it supports. I expect the establishment will attempt to line up the Interior Ministry organs on its side, but it is completely unclear where the army stands. Presently, it does not even have a commander in chief.

### **Poll Results on Popularity of Serbian Leaders**

*92BA1260E Belgrade BORBA in Serbo-Croatian  
18-19 Jul 92 p 8*

[Article by D. Milivojevic: "Findings by the Partner Agency on the Vidovdan Assembly in Relation to Forces on the Serbian Political Scene: Less Support for Milosevic"]

[Text] *According to the estimate of the researcher, 293,257 citizens attended the Assembly for one or more days. DEPOS [Democratic Movement of Serbia] is planning new assemblies (in Uzice and Novi Sad) and a major conference on 2 August.*

Judging from the views of Belgrade residents older than 15 years (a sample of 1,000 people polled was processed by the Partner Agency), there is reason for satisfaction in the Democratic Movement of Serbia and the greater part of the opposition. This was not hidden at yesterday's press conference in the Union of Authors of Serbia by the DEPOS spokesman, Dr. Vladeta Jankovic, who cited among the numerous successes of the Vidovdan Assembly the fact that "the support for the president of the Republic had dropped by half, that calling the Assembly into session attracted 15 percent of the citizens who had never attended meetings, and that more than one-half of the citizens of Belgrade agree with the peaceful end to the Assembly."

According to the estimate of the Partner Agency, 293,257 citizens attended the Assembly—for one or more days; there were 126,680 of them each day on the average; 32,000 people came each day to the Assembly floor, while another 130,000 citizens were in "favor" of the Vidovdan meeting, but were unable to participate for some reason. As to the sample of those polled, explained the the director of the agency, Miroslav Sutic, 940,000 citizens older than 15 years otherwise live in Belgrade.

More than one-half of the attendees at the Assembly think that the goal of the Assembly can be achieved only through peaceful means; 83.1 percent agree with the protest "walks" around the city; 40.5 percent of the attendees even think that the Assembly should have lasted until demands were met; more than 65 percent think that Vidovdan only partially fulfilled their expectations....

About 65 percent of those present at the Assembly did not picture a single person as the DEPOS leader, but those polled cite the following persons as the most important participants in the Assembly: Vuk Draskovic

(75.8 percent), Prince Aleksandar (36.4), Matija Benkovic (35.2), and patriarch Paul (34.2). The demand that brought a huge majority of Assembly attendees to Pasic Square (84 percent) is for the resignation of the president, and 39.5 percent of the participants consider this demand the most important one made at the Assembly. Otherwise, as the main reasons for coming to the Assembly, 43.6 percent of the participants cite support for the demands (43.6 percent), curiosity (13.4 percent), democratic changes (6.6), a change in government (6.2).... How those who did not attend the Assembly answer why they did not is interesting: 21 percent do not agree with the demands, 20.2 percent were "prevented," 19.6 percent of those polled are not interested in politics, 17.9 percent think that "nothing can be accomplished with this," and 6.4 percent of those surveyed were held back by fear of an incident. Those who did not attend the Assembly informed themselves about the events there by word of mouth (40 percent), through Studio B (57 percent), through RTV [Radio-Television] Serbia (42), through "Politika" TV (30 percent), and through the newspaper POLITIKA (20 percent).

After this analysis of what was done, made by Partner at the request of the "Fund for the Development of Democracy" and DEPOS, Vladeta Jankovic reported on the new activities of the movement: A DEPOS Conference is planned for 2 August, at which political, economic, foreign policy, national, and social platforms will be adopted and assemblies in Uzice and Novi Sad will be discussed.

### **Prospects for New Macedonian Coalition Viewed**

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[Article by Iso Rusi: "Through Alchemy to a New Government"]

[Text] *Nothing will change even if Petar Gosev succeeds in the course of interparty discussions to form his government and push it through parliament. The affliction of our parliament is its standoff situation, and the cure is the holding of new elections.*

Hamlet's dilemma of a new mandate and a new government or the holding of new elections will have to be resolved by the Macedonian Social Democratic Alliance. The view is that the VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity], although still having the highest number of representatives in parliament, is unable to "put together" a coalition in the parliament of the Republic of Macedonia and form "its own" government because of its internal quarrels and current low ratings. That is why entrusting the DPMNE to nominate a prime minister-designate was a gesture of a purely procedural nature. Actually, this could also be seen in the

contacts that party, which insisted on ensuring a minimum of 61 votes in parliament, had with the other parties, not one of which considered the matter seriously.

Normally, the "failure" of the VMRO-DPMNE to form its own cabinet comes as no surprise—also because of the correlation of forces in parliament. However, for the same reason, the possible failure of the SDSM [Social Democratic Alliance of Macedonia] would expose the worth of the claim that, before the resignations of the government, the new prime minister-designate, and the new parliamentary coalition are announced, the current governmental crisis has become part of a somewhat "broader" happening, according to which this "most national party" is to be the target. Or, in other words, how true is it that the resignation of the Kljusev government was decided the moment the president of the Republic, in the final analysis, disappointed by the "straw that broke the camel's back," which was the personal position of Mr. Ristovski in parliament, had agreed to the resignation of the Cabinet, but with one stipulation: that those who were bringing it down agreed on the choice of a new cabinet from which extremists would be excluded. Nonetheless, if it appeared that in all such calculations the DPMNE were not part of the game, it would become more than clear that the answer is in the hands of the "left-wing" coalition. Actually, it is unlikely that, if the SDSM fails, the president of the Republic will ask the PDP-NDP [Party for Democratic Prosperity-National Democratic Party] or the RS-LP [Reform Forces-Liberal Party] to nominate someone to form a government.

Objectively, the position of the SDSM involves two options: one is for the governmental crisis to result in new elections—which it called for—and the second is to "sacrifice" itself and set up a short-term cabinet.

The option of "new immediate elections" could be considered acceptable to the SDSM, considering that, at its latest congress, the party did not rely exclusively on parliamentary action. It can even be said that, if there is a party that is represented in parliament and is not afraid of elections, it is the SDSM. The new, rejuvenated membership of the SDSM favored the reconstruction of the party and its true party revitalization, for which it worked. The effect of these efforts can be directly seen in the renovated internal party life as well as in the results of the elections for council and assembly vacancies. The Social Democratic Alliance was able to fill two seats in parliament (Makedonski Brod and Stip) and even emerge victorious in all 12 council elections in the Republic.

In fact, for that party, new elections are just a matter of time, although its recent demand for new elections was rejected, above all because of the miscalculation that, following the euphoria over international recognition, the electoral result would be good—that is, extremely beneficial to the "left," but international recognition did

not materialize. Therefore, the acceptance of the mandate to form a new government is more a "demand" to do so than a "request."

As for the second option, a new left-bloc government would have as its main purpose the organization of new elections (in the good old meaning of the term "improved" electoral results), in which all ethnic extremists would become marginalized. In practical terms, the government would acquire a new prime minister but retain all of the leading people in areas that are not considered closely affiliated with the Macedonian national bloc or the most Macedonian party (the ministers of national defense, internal affairs, education, development, "privatization," agriculture, health, and so forth), and it would become more pertinent to speak of radical reconstruction or a "general purge" within it. New people would be found in the Ministries of Foreign Affairs (mostly because of the firm intention of Minister Maleski to resign, and the fact that Dimitar Mircev is already being mentioned as his heir), Information (with the special task of improving relations with the seventh power and "organizing it" for the next elections), Finance, Justice, Urban Affairs and Construction, and Economics (should the SDSM resolve to replace its minister "in disgrace" because of recently exposed deals related to private business). This is the area where the RS-LP would participate in the government.

Such an option is possible only if an agreement has been attained in advance with the PDP-NDP to ensure its silent support of such a government. The "left-wing" coalition, which will be opened only to the PDP-NDP bloc, would stand no chance whatsoever, if not because the Macedonian national bloc may proclaim it a coalition of national treason, then because of the political equidistance between it and the DPMNE. The Albanian parties have no people representing them in the Kljusev government; that government was known in some circles as Albanophobic. These people would probably be satisfied with ministerial positions being given to them, Albanians and, a matter of greater importance to them, with an improvement in the ethnic structure in all government agencies.

The question of the personality of the new prime minister-designate was and remains more or less theoretical. On the one hand, as we have already mentioned, his role would be quite reduced and would consist of promoting the outlined (party or "bloc") objectives. Petar Gosev seems to have been the only possible candidate, although he seemed to have been "pulling away" for a longer time (both from the party and from those who would entrust him with the mandate). That is precisely why his name has been mentioned more frequently recently. Among other considerations, there is also the possibility of attracting some DPMNE support.

However, the people are not ready for this. The situation greatly resembles agreements among parties following modest electoral results. The intention of the SDSM to



demand that the Cabinet reflect the proportional participation of the parties represented in parliament will be difficult to meet. A possible left-wing coalition is questionable also because of a simple but extremely powerful fact. In difficult situations created by the elections, particularly in the first round, it was very difficult for the SDSM and the RS-LP, plus the SP [Socialist Party], to find a common language. Past parliamentary practices offer innumerable examples of this. In some cases, one can speak openly of a fast and unconcealed breach of small and weak interparty accords. It is the reformists who are especially viewed as "questionable partners" because, in their case, the violation of interparty agreements is the rule.

Even if an agreement could be reached, perhaps for no other reason than to keep the promise that an agreement would be reached, and even if all of the dangers related

to the assignment of ministries in the government are surmounted and the government is accepted by the parliament, it would be difficult to determine what in fact has been accomplished. In the beginning, such a government would be facing the great temptation presented by the law on the conversion of public property, about which there exist "clashing" interests among the coalition partners and their "bases," particularly in the case of enterprises that are being reorganized on the basis of the Markovic law and about which an imperative mandate exists! This would also apply to the new prime minister-designate and the new government, involving the entire accompanying set of combinations and possible effects of this entire confusion, making it difficult to do anything whatsoever to eliminate the worst shortcoming of our new multiparty parliamentarianism—the standoff position in the parliament of the Republic of Macedonia. This can be cured only with new elections.

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